

# VISION

To be a model rural municipality by providing effective and efficient sustainable services to improve the quality of life for Nkandla citizens

# MISSION

We promote and facilitate social and infrastructural investment to achieve sustainable economic development and growth

# STRATEGIC OBJECTIVES

1. To encourage community and stakeholders involvement in municipal developmental processes.
2. To promote service excellence by developing human capital and capability.
3. To increase municipal revenue through sound financial management practices.
4. To provide basic infrastructure for service delivery.
5. To eradicate poverty and unemployment by facilitating economic growth.

## **FOREWORD BY THE MAYOR**

The overlap between the financial year and the annual report makes it difficult to confine ones comments to what happened between 01 July 2008 and 30 June 2009, yet the Council has had to appear before the Provincial SCOPA and Local Government Portfolio Committee during the current financial year, way beyond the year under review (28/10/2009). Also, the Council has had to reflect on its previous year's audit report and picked up two fundamental observations, firstly, it was observed with serious concern that the limited financial resources were being used without serious consideration of the principle of value for money and lack of compliance with the pieces of legislation and supply chain management police and procedures. Secondly, there was inherent reluctance to respond adequately to the issues raised in the previous audit.

The se resulted in the council resolving to suspend the three Senior Officials, and undertake a forensic investigation into our books. Again, these took place during this (2009/2010) financial year, yet they arise from what transpired during the previous financial year, i.e. year under audit (2008/2009). This is unprecedented in our history since 2000; when we were established. This shows maturity in terms of lessons to be learned from all this, because it sets the tone for the current financial year. It gave meaning and content to accountability. Even more importantly, it indicates that the year under audit was characterized by serious challenges. To waste time mourning about our past will be of no help, while it is critical to ensure that the lessons learned permeate all our processes and practices going forward.

Having attended some of the meetings with external auditors, it was clear that more work still needs to be done to improve on our governance and oversight work. It is worth noting that the audit committee and performance audit committee have had their terms of office extended. This is intended to create stability and ensure continuity. The service provider for internal audit function has been appointed. This is one very critical function if we are to deal with risk and compliance issues.

For every downfall, there is a lesson. All lessons learned should result in change of behaviour and practice. This is what we will be working on. We count on support received and still to come to make our vision and mission translate into reality. With the full commitment of all constituent parties, we can succeed. And we will succeed.

Thank You

## **Municipal Manager's report**

The period under review therefore has provided us with a golden opportunity to review the past nine years of the municipality since its establishment in 2000. The period has also been a challenging one for the municipality as it grappled with the difficulties brought by the global financial and economic crisis (recession) compounded by rising oil and petrol prices. This had a huge bearing on our expenditure pattern since our spending on fuel almost doubled the price we spent in the previous years.

The financial year has come to an end. So many things have happened.

The period 1<sup>st</sup> July 2008-30 June 2009, though it is the twelve months period but it has been of significant importance. It is during this period where the 22 April 2009 National and Provincial elections took place. This marked the change of hands in the Administration on both National and Provincial. Because of change of hands in the Administration, the working pattern also changed.

As the local municipality, we are at the face of the community, the door to service delivery.

Municipality had planned its activities to be in line with the five National Key Performance Area (KPA's) which are:

- Good governance and democracy
- Institutional Transformation
- Financial Viability and Management
- Infrastructural Development and Basic Services
- Socio-Economic Development

## **MUNICIPAL DEPARTMENTS**

Nkandla Municipality had five departments (including the Office of the Municipal Manager) as key strategy to implement the *se five National Key Performance Areas*:

## **A. THE OFFICE OF THE MUNICIPAL MANAGER**

This is the Strategic and Monitoring Office of the municipality which deals mainly with issues of *Good governance and Democracy*.

The municipality has developed and implemented many programmes in order to effectively address and give answers to the question of Good Governance and Democracy.

Programmes and activities implemented in the financial year under review are:

### **A.1. Public Participation**

A.1.2 Development of the Integrated Development Plan (IDP) (& Budget).  
The process plan was developed and submitted to the Department of Local Government and Traditional Affairs for comments.

Provincial Departments are always invited to participate in the IDP formulation. Though we do not often enjoy the full support from departments but this process gives us the opportunity to align our plans and include plans which the sector departments are having for Nkandla. This still requires more commitment from Provincial departments and organizations.

### **A.1.2. Ward Committees**

Ward Committees are in place in all fourteen wards, however, there has been no constant operations of ward committees simply because many members would go to other places to look for decent jobs. This would leave some other ward committees not functional at all. This demanded a quick response in as far as their resuscitation is concerned.

### **A.1.3 Communication and Public Relations**

This function is important in keeping municipality in touch and visible to the community. Our communication enabled the municipality to communicate programmes we had planned for the community. As part of our broader communication, the following activities were performed:

Ingede News Letter was produced

News paper articles were published

Radio slots were produced

IDP Izimbizo were organized.

## **A.2 Internal Audit**

This service was outsourced to the Professional Internal Audit firm. This was to ensure the effective, efficient and economical service to be rendered to the municipality.

### **A.2.1 Function of the Internal Audit**

The Internal Audit function assists management in achieving goals of the municipality by evaluating the process through which:

- Goals and values are established and communicated;
- Risk and control information is communicated;
- The accomplishment of goals is monitored (organizational performance);
- Accountability is ensured and corporate ethics and values are preserved

### **A.2.2 Risk Management**

Internal Audit function and service should assist management of the municipality in identifying, evaluating and assessing significant strategic and organizational risks and to provide independent, objective assurance as to the effectiveness of related internal controls.

Furthermore, Internal Audit further should assist management by examining, evaluating, reporting and recommending improvements on the adequacy and effectiveness of the risk management process within the municipality.

### **A.2.3 Controls**

Internal Audit evaluated whether the internal control upon which management relied to mitigate the risks down to acceptable levels, were appropriate and

functioning as intended and developed recommendations for enhancement or improvement in the control environment.

## **B. CORPORATE SERVICES DEPARTMENT**

This department is strategically positioned so as to deal mainly with issues of *Institutional Transformation* as core function.

This department covers the following functions:

### **B.1 Administration**

- B.1.1 Render office auxiliary services (switchboard, reprographic, typing, office cleaning, and office security)
- B.1.2 Provision of administrative support services (registry and archiving, by-laws, contracts, policies, notices and general administrative enquiries)
- B.1.3 Coordination of customer care services, (though this still needs to be improved a lot).
- B.1.4 Provision of committee services to Council, Portfolio Committees, Management Committee and Audit Committee meetings (provision of secretariat services)

### **B.2 Human Resources**

- B.2.1 Coordination of staff procurement services
- B.2.2 Coordination of skills development and training services
- B.2.3 Provision of labour relations services
- B.2.4 Coordination of the individual performance appraisal
- B.2.5 Administration of conditions of service, service benefits and personnel administration

### **B.3 Fleet Management Services**

- B.3.1 Provision of fleet management service for the organization

B.3.2 Provision of advices and recommendations on actions to be taken by Council, in buying or disposing its vehicles.

**B.4 Legal services**

B.4.1 Provision of litigation services

B.4.2 Provision of legal advisory services

B.4.3 Coordination of the development, administration and maintenance of by-laws, policies, contracts and service agreements

**B.5 Information & Communication Technology (ICT)**

B.5.1 Management of data and telephone networks

B.5.2 Maintenance and updating of the ICT policy to ensure the uninterrupted ICT service

B.5.3 Provision of ICT audit including network capabilities, software audit, existing equipment and skills.

**B.6 Occupational Health and Safety**

B.6.1 Ensuring the healthy and safe environment of all employees in the work place

B.7 Records management

B.7.1 Provision of proper record keeping system. This, however, still needs more improvements, which are being put in place

**C. COMMUNITY SERVICES [STRATEGIC PLANNING & MONITORING]**

This department is strategically positioned so as to deal mainly with issues of *Socio-economic development services* as core function. This department covers the following functions:

**C.1 Local Economic Development and Tourism Services**

C.1.1 Initiation, implementation and maintenance of LED and Tourism activities in the municipal area



## **C.2 Youth Development**

### **C.2.1 Coordination of Youth Development Programmes**

## **C.3 Women empowerment**

As the continued support and empowerment, women structures were trained on Home Base Care.

## **C.4 Integrated Early Childhood Development**

We were very active in the implementation of the Municipal IECDI and HIV/AIDS Plans for the year 2008/2009. More than 50 ECD Practitioners were trained in different areas including Child Care, Farming (Organically), etc. Tree, Sonke Gender Justice and CRH were working on different programs within the ECD in Nkandla on the UNICEF funding. ECD Practitioners, Children (including OVCs) and Men were direct beneficiaries in these programs. Some ECD sites were assisted with the infrastructure, i.e. buildings and toys for the children during this year.

The municipality worked on the strengthening the HIV/AIDS institutional arrangement including the following:

- *Development of Nkandla HIV/AIDS Strategy*
- *Formation of Nkandla Local AIDS Council*

## **C.5 Community Safety and Disaster Management**

This is the responsibility of the South African Police Service (SAPS) but there are municipal initiatives in respect of community safety and disaster management.

The municipality in partnership with Nkandla SAPS has established the Nkandla Crime Prevention Stakeholders Forum (NCPSF) to deal with issues pertaining to crime prevention. This NCPSF is made up of senior officials of the following sectors:

- Nkandla Municipality
- Nkandla SAPS
- Nkandla Department of Social Development

- Nkandla hospital
- NGOs working in Nkandla

For Disaster Management services, we entered into shared service contract with Rural Metro. The shared service is administered by uThungulu District Municipality.

#### **C.6 Disability development and empowerment**

The municipality has been very active in the issues of disability under the leadership of Cllr BV Khanyile as the councilor assigned by the portfolio committee to this function. We participated in the provincial/ function on observing the international day for disabled.

#### **C.7 Cultural Development**

The annual Zulu dance competitions were organized on three levels, Ward level, Municipal level and District level. Some of our Zulu Dancers were even invited to participate in the provincial Cultural Events

#### **C.8 Sports and Recreation**

Nkandla Municipality had ten active sporting codes during this year. They include the following:

- C.8.1. Soccer – **NKAFA** (Metropolitan, Domestic, Junior and women soccer league)
- C.8.2. Dance (Ballroom & Latin American)
- C.8.3. Karate
- C.8.4. Boxing
- C.8.5. Volleyball
- C.8.6. Indigenous Games
- C.8.7. Rural Horse Riding
- C.8.8. Athletics
- C.8.9. Table Tennis
- C.8.10. Aerobics

Nkandla participated in a number of tournaments outside including the national boxing tournament where the province was represented by Nkandla Boxing Team. We also participated in the District Annual Salga games organized and hosted by Uthungulu District ( Richards Bay) and Provincial SALGA Games hosted by Majuba District Municipalities (in Newcastle)

Nkandla Municipality is also effectively and actively involving youth through the Siyadlala Programme. There are different HUBS that were established in different strategic corners of Nkandla to ensure balanced benefit to the majority of Nkandla sports lovers.

### **C.9 Library Services**

The library worked as an information centre academically and in general. It hosted a number of schools on its orientation program of the year. It also assisted through displays on awareness's and in observing certain significant days.

## **D. TECHNICAL SERVICES**

This department is strategically positioned so as to deal mainly with issues of *Infrastructural Development and Basic services* as core function.

This department covers the following functions:

- D.1 Capital Projects
- D.2 Development Planning
- D.3 Operations and Maintenance
- D.4 Geographic Information System (GIS)
- D.5 Waste Management

## **E BUDGET AND TREASURY**

This department is strategically positioned so as to deal mainly with issues of *Financial Viability and Management* as core function.

This department covers the following functions:

- E.1 Financial accounting and Budget
- E.2 Expenditure Management
- E.3 Revenue Management
- E.4 Supply Chain Management
- E.5 Property Rates Management

## **MUNICIPAL COUNCILORS**

### **EXECUTIVE COMMITTEE**

- |    |                          |                               |       |
|----|--------------------------|-------------------------------|-------|
| 1. | His Worship the Mayor    | : Cnllr Z.O. Zulu (Ward 5)    | (IFP) |
| 2. | Deputy Mayor             | : Cnllr N.F.J. Nzuza (Ward 6) | (IFP) |
| 3. | The Speaker (Ex-officio) | : Cnllr M.J. Mkhize (Ward 12) | (IFP) |
| 4. | Cnllr S.Z. Dlamini       | : Exco Member (Ward 1)        | (IFP) |
| 5. | Cnllr B.Z. Mncadi-Mpanza | : Exco Member (Ward 11)       | (ANC) |
| 6. | Cnllr T.M. Sosibo        | : Exco Member (Ward 10)       | (IFP) |

## **OTHER COUNCILORS**

### **IFP COUNCILORS**

- |    |                   |               |
|----|-------------------|---------------|
| 1  | Cllr ML Mncube    | ( PR: Ward 5) |
| 2  | Cllr MTMajozi     | (Ward 11)     |
| 3  | Cllr BC Basi      | (PR: Ward 12) |
| 4  | Cllr BB Dlomo     | (Ward 3)      |
| 5  | Cllr MT Khumalo   | (PR: Ward 7)  |
| 6  | Cllr SE Dlomo     | (PR: Ward 14) |
| 7  | Cllr SL Mthembu   | (Ward 8)      |
| 8  | Cllr SE Mahaye    | (PR: Ward 3)  |
| 9  | Cllr NM Nkwanyana | (Ward 14)     |
| 10 | Cllr MN Mthombeni | (Ward 7)      |
| 11 | Cllr SN Masikane  | (Ward 13)     |

12	Cllr SE Mhlongo	(Ward 10)
13	Cllr SO Sibiya	(Ward 2)
14	Cllr BV Khanyile	(PR: Ward 11)
15	Cllr TM Dladla	(Ward 9)
16	Cllr NZ Zuma	(PR: Ward 14)
17	Cllr PM Khanyile	(Ward 4)
18	Cllr JB Khumalo	(PR: Ward 6)

### **ANC COUNCILORS**

1.	Cllr M Zuma	(PR: Ward 14)
2.	Cllr FK Magubane	(PR: Ward 6)
3.	Cllr PR Dlamini	(PR: Ward 5)

### **COMMITTEE STRUCTURES**

For its balanced performance, Nkandla Municipality being governed by Local Government and other legislations, has established committees as follows:

#### **EXECUTIVE COMMITTEE (EXCO)**

1.	His Worship the Mayor	: Cnllr Z.O. Zulu (Chairperson)
2.	Deputy Mayor	: Cnllr N.F.J. Nzuza
3.	Cllr S.Z.Dlmaini	: Exco member
4.	Cllr B.Z. Mncadi-Mpanza	: Exco member
5.	Cllr T.M. Sosibo	: Exco member

#### **FINANCE PORTFOLIO COMMITTEE**

1.	His Worship the Mayor	: Cnllr Z.O.Zulu (Chairperson)
2.	Cllr M.L. Mncube	: Member
3.	Cllr M.N. Mthombeni	: Member
4.	Cllr P.M. Khanyile	: Member
5.	Cllr J.B. Khumalo	: Member
6.	Cllr M.T. Khumalo	: Member

#### **CORPORATE SERVICES PORTFOLIO COMMITTEE**

1.	Cllr. B.Z. Mncadi-Mpanza	: Chairperson
2.	Cllr. S.O. Sibiya	: Member
3.	Cllr. M. Zuma	: Member
4.	Cllr. N.Z. Zuma	: Member
5.	Cllr T.M. Dladla	: Member
6.	Cllr. S.E. Dlomo	: Member
7.	Cllr. S.L. Mthembu	: Member

## **COMMUNITY & ECONOMIC DEVELOPMENT PORTFOLIO COMMITTEE**

1. Cllr N.F.J. Nzuza (Deputy Mayor) : (Chairperson)
2. Cllr B.V. Khanyile : Member
3. Cllr S.E. Mhlongo : Member
4. Cllr T.M. Sosibo : Member
5. Cllr S.E. Mahaye : Member
6. Cllr B.B. Dlomo : Member
7. Cllr P.R. Dlamini : Member

## **TECHNICAL & PLANNING SERVICES PORTFOLIO COMMITTEE**

1. Cllr S.Z. Dlamini : Chairperson
2. Cllr S.N. Masikane : Member
3. Cllr M.N. Nkwanyana : Member
4. Cllr M.T. Majosi : Member
5. Cllr F.K. Magubane : Member
6. Cllr B.C. Basi : Member

## **STANDING RULES AND ORDERS COMMITTEE**

1. Cllr M.J. Mkhize (The Speaker) : (Chairperson)
2. Cllr. Z.O.Zulu (Mayor) : Member
3. Cllr. S.Z. Dlamini : Member
4. Cllr. N.F.J. Nzuza (Deputy Mayor) : Member
5. Cllr. T.M. Sosibo : Member
6. Cllr. F.K. Magubane : Member

## **AUDIT COMMITTEE**

1. Mr. M.D.K. Mthembu : Chairperson
2. Ms. P.L. Lebatse Masiteng : Member
3. Ms T.T.C. Hlongwa : Member

## **PERFORMANCE AUDIT COMMITTEE**

1. Ms. P.S. Mbatha : Chairperson
2. Mr. S.B.S. Sibisi : Member
3. Mr. M.E. Mpungose : Member

## **OTHER COMMITTEES**

### **Local Labour Forum**

1. Cnllr. B.Z. Mncadi-Mpanza : Chairpersn
2. Cnllr T.M. Dladla : Council member

3. Union Representative : IMATU
4. Union Representative : SAMWU
5. Management Committee : Municipal Manager and Four  
departmental Heads

#### **BID COMMITTEES**

1. Bid Specifications Committee
2. Bid Evaluation Committee
3. Bid Adjudication Committee

# MUNICIPALITY INFORMATION

## CATEGORY OF THE MUNICIPALITY

CATEGORY B

## AUDITORS

OFFICE OF THE AUDITOR GENERAL

## REGISTERED OFFICE

NKANDLA MUNICIPLAITY

292 MAREE ROAD

NKANDLA

PRIVATE BAG X 161

NKANDLA

3855

TELEPHONE : 035 833 2000

FAX : 035 833 0920

## MUNICIPAL MANAGER (ACTING)

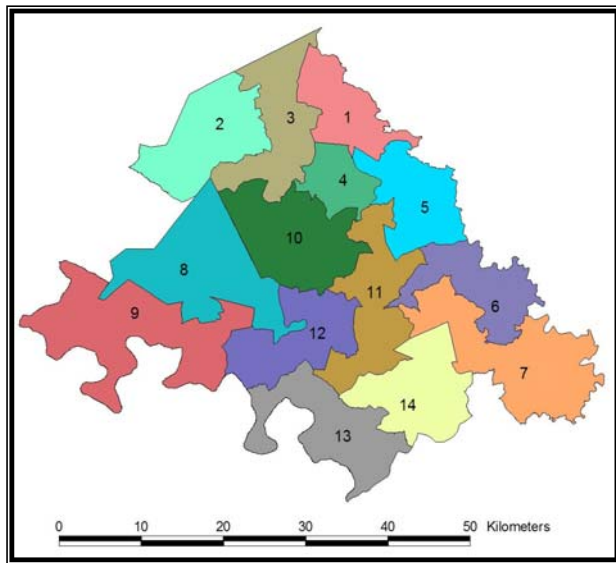
N.M. MNYANDU

## CHIEF FINANCIAL OFFICER

A.Z. NTSHANGASE



## GEOGRAPHICAL AND DEMOGRAPHIC PROFILE



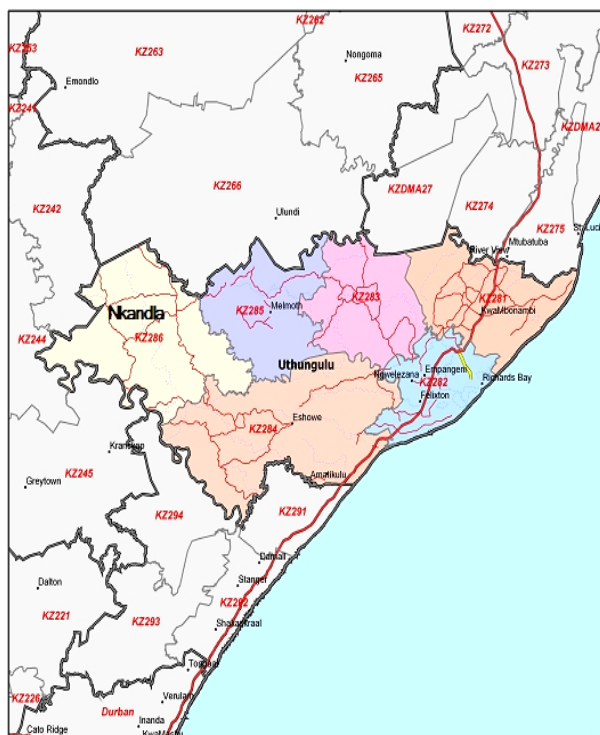
The verification process is informed by Chapter 6, Section 38-49 of the Municipal Systems Act no.32 of 2000, Municipal Regulations for Municipal Managers and Managers directly Accountable to Municipal Managers and Section 72 of the Municipal Finance Management Act no.56 of 2003

**Population:** 133602 (2001 Stats South Africa)

**Wards:** 14 wards in each ward an average of about 9000 people

**Voters:** Currently 45776 registered voters

**Accessibility:** Through road network which is currently under poor state



**Infrastructural Development:** Slow due to among other things road network

**Work Opportunities:** High rate of unemployment

**Indigence:** Highly dependant on Government grants and free basic services

**Institutional Challenges:** Minimal revenue generation which negatively impact on the growth of the organization.

## POWERS AND FUNCTIONS OF NKANDLA LOCAL MUNICIPLAITY

The Powers and Functions of Nkandla Municipality are derived from the provisions of Section 85 of the Local Government: Municipal Structures Act, 1998 (Act 117 of 1998). The following table reflects a list of the powers and functions to be performed by the municipality.

## POWERS AND FUNCTIONS OF NKANDLA LOCAL MUNICIPLAITY

LOCAL FUNCTION	DISTRICT FUNCTION	SHARED FUNCTION
<ul style="list-style-type: none"> <li>• Air pollution control</li> <li>• Building Regulations Enforcement</li> <li>• Child Care Facilities</li> <li>• Pontoons, Jetties, Ferries, Piers, Harbours</li> <li>• Storm water Management</li> <li>• Trading Regulations</li> <li>• Beaches and amusement Facilities</li> <li>• Billboards and display of Advertisement in Public Places</li> <li>• Cleansing</li> <li>• Control of Public Nuisance</li> <li>• Control of sale of liquor to the Public</li> <li>• Facilities of the accommodation, Care and Burial of Animals</li> <li>• Fencing Fences</li> <li>• Licensing of dogs</li> <li>• Local amenities</li> <li>• Local Sports Facilities</li> <li>• Municipal Parks and Recreation</li> <li>• Noise Pollution</li> <li>• Pounds</li> <li>• Public Places</li> <li>• Street Trading</li> <li>• Street Lighting</li> <li>• Traffic and Parking</li> <li>• Fire Fighting Services</li> <li>• Local Tourism</li> <li>• Municipal Airport</li> <li>• Municipal Planning</li> <li>• Municipal Public Transport</li> <li>• Cemeteries, Funeral Parlours and Crematoria</li> <li>• Markets</li> <li>• Municipal Abattoirs</li> <li>• Municipal Roads</li> <li>• Refuse Removal, Refuse Dumps and Solid Waste</li> </ul>	<ul style="list-style-type: none"> <li>• Portable Water</li> <li>• Sanitation</li> </ul>	<ul style="list-style-type: none"> <li>• Municipal Health Services</li> <li>• Electricity (Eskom)</li> </ul>

## **ERADICATION/ALLEVIATION OF POVERTY**

Poverty relief can only be achieved if sufficient employment opportunities are created within the local economy. It is of most importance to focus more efforts on improvements in the Agricultural Sector and to capitalize on the tourism potential.

## **PROVISION OF WATER**

The provision of water is the area of competence of uThungulu District Municipality in terms of Water Services Development Plan. This has identified all the needs in the uThungulu District and in Nkandla Area in particular. Water is therefore to be provided in a phased manner in terms of the plan.

## **PROVISION OF SANITATION**

As the case with the provision of water, sanitation is addressed by uThungulu District Municipality in terms of its water and sanitation Service Development Plan.

## **ROAD IMPROVEMENTS**

Roads and road access improvements are implemented to connect rural communities to community facilities such as schools, hospitals, clinics, community halls, etc; as well as with the town and other shopping centers. The improvement of roads infrastructure is instrumental in improving agricultural production and produce distribution.

## **ACCESS IMPROVEMENTS**

Access improvements are currently limited to the construction of low-level causeway (ferries). The municipality has over the last four years, made a meaningful contribution in the construction of low-level causeways and of upgrading rural roads with the co-operation of the Department of Transport.

## **PROVISION OF ELECTRICITY**

The provision of electricity service in Nkandla town is currently rendered by uThungulu District on behalf of Nkandla Municipality. The remainder of the municipal area (which is under Ingonyama Trust) is serviced by Eskom.

Nkandla Municipality has developed the Nkandla Electricity Five year Roll-out plan which was done in collaboration with Eskom. The Five year plan prioritizes areas to be electrified over the period of five years and it is reviewed annually.

Currently, there are more than 3000 connections which are in the pipeline and other connections in the engineering stage.

## **PROVISION OF HEALTH-CARE FACILITIES**

The KwaZulu Natal Department of Health holds the specialized overall responsibility for the provision of hospitals and clinics. The municipality only provides soft Health care services (e.g. training of home care bearers, training on HIV/AIDS and other communicable diseases). The municipality also plays its part by pulling all role players together for the benefit of Nkandla people in health care service.

## **IMPROVEMENTS IN SAFETY AND SECURITY**

This is the responsibility of the South African Police Service (SAPS) but there are municipal initiatives in respect of community safety and disaster management.

The municipality in partnership with Nkandla SAPS has established the Nkandla Crime Prevention Stakeholders Forum (NCPSF) to deal with issues pertaining to crime prevention. This NCPSF is made up of senior officials of the following sectors:

- Nkandla Municipality
- Nkandla SAPS
- Nkandla Department of Social Development
- Nkandla hospital
- NGOs working in Nkandla

## **PROVISION OF HOUSING**

This is the function of KwaZulu Natal Department of Human Settlement (formerly known as Department of Housing). In this respect Nkandla Municipality is the developer and its role is to facilitate the appointment of the Implementing agents and signing of tripartite agreement between KwaZulu Natal Department of Human Settlement (formerly known as Department of Housing), Nkandla

## **PROVISION OF SPORTS GROUNDS, COMMUNITY SERVICE CENTRE AND COMMUNITY HALLS**

The provision of sports grounds, community centres and community halls have been attended to by Nkandla Municipality and some by uThungulu District Municipality.

## **SOLID WASTE DISPOSAL FACILITIES**

Nkandla Municipality is having the licensed waste disposal facility. The site is now about to reach its full capacity and requires extension

## **EDUCATIONAL FACILITIES**

The provision of educational facilities is the responsibility of the specialized KwaZulu Natal Department of Education

## **PERFORMANCE MANAGEMENT REPORT**

### **Organizational Performance Management**

The targets that were set on the Municipal IDP and SDBIP have been taken into consideration, weighted and evaluated

The key performance areas that were used were in accordance with the legislation but the Targets and indicators were not specific, measurable, attainable, and realistic and time related (SMARTS) (organizational Performance Management starter pack Model September 2004)

The Political structure need to be measured on issues of good governance, socio-economic development etc. Their work plans were not indicated and the relationship with the management in terms of execution and operational tasks remains a concern due to lack of clarity and proper preparedness of submissions of plans and report timeously.

Section 42 refers to Community involvement in PMS; this has been taken place through ward committees although the approval of management structure became a challenge and could have affected budget allocation and operational tasks related to this function.

All departments of the Municipality did not report core-competencies, which contribute 20% of the total score. The targets measured are supposed to be scored out of 80% before they are added with core-competencies that will contribute 20% to make 100%

Steps to be taken to the targets not met were not indicated.

Municipality did not compare their reports with previous year, which creates a lack of clarity in terms of improvement.

## **NKPA Individual Performance Management**

### **Performance Contracts**

The Generic Performance Plans in the form of the SDBIP have been developed and the Personal Development Plans, which spells out areas of personal development as per the guidelines for section 57 employees have been included, and the individual core-competencies were highlighted. These plans, according to Municipal Manager reporting; have not been adequately executed to all levels to enforce performance and accountability.

The Code of Conduct for the employees has been signed and attached to the Performance Agreement but there is no evidence in terms of enforcement in order to change behavior.

### **Key Performance Reviews**

Democracy and good governance

The Municipality has been able to develop the following:

The standard operating procedures and delegations policy.

Operational Ward committees, public participation and transparency policy.

The municipality has not been able to maintain the required number of ward committees.

The operational ward committees have been decrease from 14 to 4. The four ward committees that still exist have been trained and are functioning effectively (regular meeting, formal agenda, minutes and attendance register are kept).

A community consultation and participation framework has been developed and being implemented. This framework incorporates the aspects of a community communication strategy and adherence to the Batho Pele Principle. The main question is Ingede, which is no longer serving the purpose of

communication strategy; the committee suggests that it must be the means of promoting transparency and it must reflect the municipal plans, SDBP, Performance Measurement report to community.

### **Institutional transformation**

Substantial progress has been made by municipality to close vacancies. The IDP officer, HR officer, Internal Auditor and other post were advertised as an attempt to fill vacancies. The high vacancy rates has resulted to negatively effect on service delivery yet it is apparently clear that attracting and retaining key staff remains a challenge for the Municipality. This required a firm retention strategy to be put in place.

The performance management has not yet been implemented to operational staff and council and this has led to individual resistance, which resulted to dilapidating structures in greater Nkandla. The contribution of Municipality personnel at all levels is key to achieving the Municipality objectives.

The institutional transformation and capacity enhancement has been identified as the lacking competencies due to non-availability of HR related capacity and strategies. Institutional transformation need to be very critical in putting organization structure in place, make sure that posts are filled on time by competent people, set key policies, plans and procedures to guide transformation and ensure that appropriate capacities are developed. The imbalance of staffing especially in Finance and Internal Audit has crippled the Municipality's performance.

### **Financial Management and Viability**

The Municipality budget was timeous approved.

The disclaimer financial report produced on last financial year had a bad impact in fundraising, as most donors require the two previous year's unqualified report to approve funding proposals. This has resulted to Lottery funding application for cultural village remain on hold. No other attempts from senior managers in accessing other donors and funders to improve Nkandla economy

as this form part of core-competence. Fundraising may be done either in form of money or infrastructural development. This could also be attributed to lack of management capacity to pursue and negotiate strategic relationship with potential partners.

More than 35% of the budget is spent on salaries and even some planned projects and activities could not be adequately executed due to poor cash flow and lack of clear focus and priorities.

Billing system has been developed as a means and element of the credit control and debit management value chain in municipality yet the 20% average collection has been unsatisfactory this year .The evaluation roll had a bad impact on the billing system

In the first half of 2008/09; the section 71 reports have been produced quarterly and presented to the Council as required. However in the third and fourth quarters respectively, section 71 reports were produced on monthly basis and were presented to Council for approval and were also submitted to both Provincial Treasury.

Out sourcing of work to consultants has increased as compare to a work done by internal incumbent. The capacity to supervise and monitor such outsourced work has remained a challenge thus sometimes leading to unjustified expenses and lack of quality outputs.

Municipality has dealt with an issue of outstanding debt and approximately 95% of creditors have been paid.

Revenue tax has been recovered with Receiver of Revenue.

Asset register has been compiled and is reviewed on annual basis.

### **Socio Economic Development**

The Municipality has been able to focus on three spheres of LED, which are poverty alleviation, economic growth and economic empowerment.

The municipality had no longer have Sports programme except SALGA Games.



Library had only focused on people attending library without any programmes such as career exhibition, skill development, bursary exhibition and celebration of library week.

Municipality lost special programs like celebrating children protection week, Cultural exhibition, etc.

Performing Art and Crafting has not taken prominence yet the Municipality is positioned in an environment that has a lot of heritage and cultural activities to be promoted.

Disaster mitigation response activities has taken place, but without any plan in place.

### **Infrastructural Development**

The MIG Projects for the 2008'2009 have been implemented and completed.

The waste management operational plan has been developed and implemented how ever there is a need for a development of checklist for service delivery and as a monitoring tool.

Sector plans that include development of infrastructures need to be included in IDP as this result to the stretched resources of Municipality and overload with non planned projects.

### **Summary of performance scores**

#### **Performance Report for the first quarter**

<b>NKPA</b>	<b>TOTAL TARGETS</b>	<b>TARGETS%</b>	<b>TARGETS MET</b>	<b>TARGETS %</b>	<b>TARGETS NOT MET</b>	<b>TARGETS %</b>
1.DEMOCRACY AND GOOD GOVENANCE	5	80%	1	16 %	4	64 %

2.INSTITUTIONAL TRANSFORMATION	2	80%	1	40%	1	40 %
3.FINANCIAL VIABILITY	3	80%	–	0 %	3	80 %
4.INFRASTRUCTURAL DEVELOPMENT	2	80%	–	0 %	2	80 %
5. SOCIO ECONOMIC DEVELOPMENT	17	80%	15	71%	2	9%

#### **SUMMARY OF TARGETS MET AND NOT MET FOR THE FIRST QUARTER**

Total Targets : 29 = 80 %

Total Targets Met : 17 = 47%

Total Not Met : 12 = 33%

## PERFORMANCE REPORT FOR THE SECOND QUARTER

NKPA	TOTAL TARGERTS	TARGETS %	TARGETS MET	TARGETS %	TARGETS NOT MET	TARGETS %
DEMOCRACY AND GOOD GOVERNANCE	3	80%		53%	1	27%
INSTITUTIONAL TRANSFORMATION	2	80%	-	0%	2	80%
FINANCIAL VIABILITY	3	80%	-	0%	3	80%
INFRASTRUCTURAL DEVELOPMENT	2	80%	-	0%	2	80%
SOCIO ECONOMIC DEVELOPMENT	2	80%	1	40%	1	40%

## SUMMARY OF TARGERTS MET AND TARGERTS NOT MET ON THE SECOND QUARTER

TOTAL TARGERTS : 12= 80%

TOTAL TARGERTS MET : 03= 20%

TOTAL TARGERTS NOT MET : 09= 60%

## PERFOMANCE REPORT FOR THE THIRD QUARTER

NKPA	TOTAL TARGETS	TARGETS %	TARGETS MET	TARGETS %		TARGETS NOT MET	TARGETS %
DEMOCRACY AND GOOD GOVENANCE	7	80%	7	80%		0	0%
INSTITUTIONAL TRANSFORMATION	12	80%	8	53%		4	27%
FINANCIAL VIABILITY	39	80%	24	49%		15	31%
INFRASTRUCTURAL DEVELOPMENT	15	80%	9	48%		6	32%
SOCIO ECONOMIC DEVELOPMENT	29	80%	21	58%		8	22%

## SUMMARY OF TARGETS FOR THE THIRD QUARTER

TOTAL TARGETS : 102=80%

TOTAL TARGETS MET : 69 = 54%

TOTAL TARGETS NOT MET : 33 = 26%

## PERFORMANCE REPORT FOR THE FOURTH QUARTER

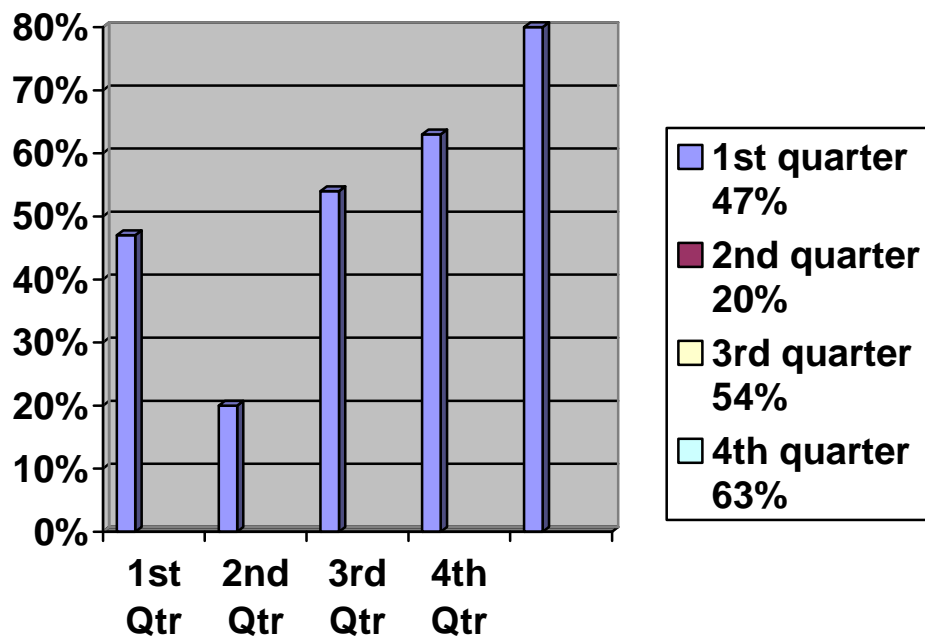
NKPA	TOTAL TARGETS	TARGETS %	TOTAL TARGETS MET	TARGETS %		TOTAL TAGETS NOT MET	TARGET S %
DEMOCRACY AND GOOD GOVERNANCE	16	80%	15	75%		1	5%
SOCIO ECONOMIC DEVELOPMENT	24	80%	17	57%		7	23%
INSTITUTIONAL TRANSFORMATION	13	80%	10	62%		3	18%
FINANCIAL VIABILITY	17	80%	16	75%		1	5%
INFRASTRUCTURAL DEVELOPMENT	5	80%	1	16%		4	64%

## SUMMARY OF TARGETS FOR THE FOURTH QUARTER

TOTAL TARGETS : 75 = 80%

TOTAL TARGETS MET : 59=63%

TOTAL TARGETS NOT MET : 16 =17%



## ANALYSIS OF 2008/2009 FINANCIAL YEAR

### ANNUAL REPORT

NKPA	TOTAL TARGETS	TOTAL TARGETS MET	TARGETS %	TARGETS NOT MET	TARGET S%
DEMOCRACY AND GOOD GOVERNANCE	31	25	65%	6	15%
INSTITUTIONAL	29	19	52%	10	28%

TRANSFORMATION						
FINANCIAL VIABILITY	62	40	52%		22	28%
INFRASTRUCTURAL DEVELOPMENT	24	10	33%		14	47%
SOCIO ECONOMIC DEVELOPMENT	72	54	60%		18	20%

### SUMMARY OF TARGETS

TOTAL TARGETS : 218 = 80%

TOTAL TARGETS MET : 148 = 54%

TOTAL TARGETS NOT MET : 70 = 26%

### CORE COMPETENCIES

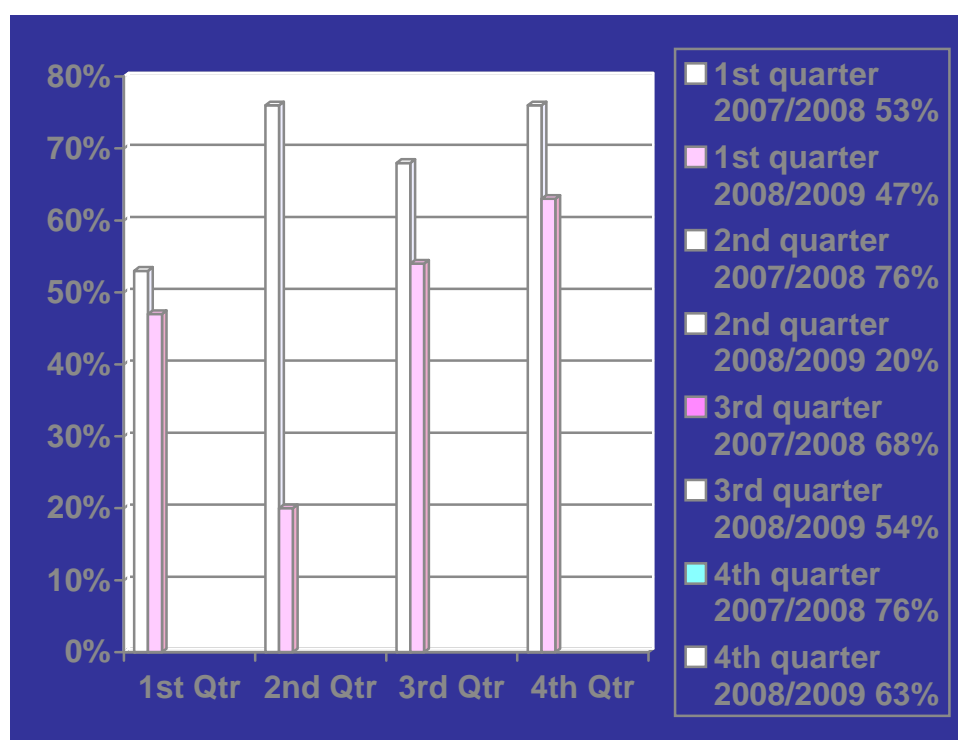
NKPA/DEPARTMENTS	Core-Managerial Competencies	Core-Occupational Competencies	Score	%
SOCIO ECONOMIC DEVELOPMENT	26	12	38	13%
INSTITUTIONAL DEVELOPMENT	18	10	28	12%
FINANCIAL VIABILITY	6	6	12	5%
INFRASTRUCTURAL	14	6	20	13%

DEVELOPMENT				
TOTAL	58	28	98	11%

## SUMMARY OF CORE COMPETENCIES

TOTAL CORE COMPETENCIES MET: 11%

## COMPARISON OF 2007/2008 FINANCIAL YEAR WITH 2008/2009 FINANCIAL YEAR



## Findings on Targets Not Met

- Shortage and retention of staff
- Insufficient funds and in ability to leverage new resources.
- Conversion of the system abacus to Venus.
- Non accuracy of evaluation roll.



## AUDITOR GENERAL'S 2008'2009 REPORT

### REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF NKANDLA MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009.

#### REPORT ON THE FINANCIAL STATEMENTS

##### Introduction

1. I was engaged to audit the accompanying financial statements of the Nkandla Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages XX to XX.

##### The Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) as set out in Accounting Policy Note 1 and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA) and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

##### The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with the International Standards on Auditing and *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Because of the matters described in the Basis for disclaimer of opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.
4. Paragraph 11 *et seq.* of the Standard of GRAP 1 Presentation of Financial Statements requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the Nkandla Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement. Consequently, a decision has been taken that we will not audit the budget information presented in the financial statements in terms of GRAP 1 and the audit opinion will, therefore, not cover such information.

## **Basis for disclaimer of opinion**

### **Property, plant and equipment**

5. I was unable to confirm the existence of fixed assets with a total value of R157 752 reported in the property, plant and equipment balance of R49 303 764 in the statement of financial position and included in opening balances of R43 830 964 in note 2 to the annual financial statements. Consequently, I was unable to obtain sufficient appropriate audit evidence as to the existence and valuation of these assets.
6. I was unable to confirm the occurrence, completeness and accuracy of R791 010 disclosed as a correction of error and R803 777 disclosed as additions in note 2 to the annual financial statements. Consequently, I was unable to obtain sufficient appropriate audit evidence as to the occurrence, completeness and accuracy of the correction of error and the additions, as a result of the absence of supporting documentation and the necessary explanations.
7. The calculation for depreciation and backlog depreciation was performed on fixed assets of R8 769 514, whilst the fixed asset register reflected a total of R55 300 858. Therefore, assets worth R46 531 344 were not subject to depreciation or backlog depreciation. Consequently, I was unable to obtain sufficient appropriate audit evidence as to the completeness, accuracy and occurrence of the depreciation and backlog depreciation of R807 947 and R3 952 722 disclosed in the statement of financial performance and statement of changes in net assets respectively and in note 2 to the annual financial statements, as a result of the absence of supporting documentation and the necessary explanations.
8. Capital projects to the value of R1 149 016 included as additions in the current year were completed in the prior year and therefore should have formed part of the opening balance of property, plant and equipment reflected in note 2 to the annual financial statements. Consequently, the current year property, plant and equipment balance is overstated by R1 149 016.
9. I was unable to confirm the existence, completeness, rights, obligations and the valuation of the opening balance of property, plant and equipment of R43 830 964 disclosed in note 2 to the annual financial statements which is included in the balance of R49 303 764 reported in the statement of financial position, as no reliance could be placed on the fixed asset register. Consequently, alternative audit procedures were not feasible due to the absence of complete and accurate information in the fixed asset register, as well as the absence of the necessary explanations and documentation.

### **Receivables**

10. I was unable to confirm the existence, accuracy and completeness of consumer debtors of R4 795 822, sundry debtors of R233 345, Value Added Tax receivable of R1 946 027 and provision for consumer debtors of R4 722 975 as disclosed in note 6 to the annual financial statements, as a result of the absence of supporting documentation and the necessary explanations. The records did not permit the application of alternative audit procedures.

## **Creditors**

11. I was unable to confirm the existence, accuracy and completeness of the creditors' balance of R793 355 disclosed in the statement of financial position and in note 11 to the financial statements as a result of the absence of supporting documentation and the necessary explanations. Furthermore, management did not accrue for expenditure incurred but not yet invoiced and I was unable to quantify this expenditure as a result of the absence of supporting documentation and the necessary explanations. Consequently, I was unable to confirm the existence accuracy and completeness of creditors. The records did not permit the performance of alternative audit procedures

## **Unspent conditional grants and receipts**

12. I was unable to confirm the existence, accuracy and completeness of the unspent conditional grants and receipts of R6 115 044 disclosed in the statement of financial position in note 13 to the annual financial statements, as the entity could not produce a reconciliation of the movements in the grants, together with the supporting documentation and related explanations. The records did not permit the performance of alternative audit procedures.

## **Revenue**

13. I was unable to confirm the accuracy and completeness of the assessment rates of R121 172, refuse removal of R275 108, government and grant subsidies of R14 020 598, rental of facilities and equipment of R240 131, sundry income of R16 789 and other revenue streams of R132 224, disclosed in the statement of financial performance, as a result of the absence of supporting documentation and the necessary explanations. The records did not permit the application of alternative audit procedures.
14. The following disclosures of revenue and debtors in the annual financial statements have not been complied with in terms of GRAP 1 and International Financial Reporting Standards IFRS 7:
- an age analysis by major revenue has not been presented; and
  - the municipality did not make a distinction between long term debtors and short-term debtors.

Consequently, we were unable to perform alternative audit procedures as a result of absence of necessary documentation and explanations.

## **Expenditure**

15. I was unable to confirm the occurrence, accuracy and completeness of operating lease expenditure of R1 191 248 disclosed as part of general expenses in the statement of financial performance, as a result of the absence of supporting documentation and the necessary explanations.
16. I was unable to confirm the accuracy and completeness of the salary control account of R1 823 020 disclosed as part of salary related costs in the statement of financial

performance, as a result of the absence of supporting documentation and the necessary explanations. The records did not permit the performance of alternative audit procedures.

#### **Restatement**

17. I was unable to confirm the accuracy and completeness of R2 267 131 reflected as a prior year correction of an error in the statement of financial performance and note 16.2 to the annual financial statements as a result of the absence of supporting documentation and the necessary explanations. The accounting records did not permit application of alternative audit procedures.

#### **Cash flow statement**

18. I was unable to confirm the accuracy and completeness of note 1 to the annual financial statements in respect of cash generated by operations as a result of the following:

- The current and prior year reflects a surplus of R8 554 158 and R397 319 respectively. However, the statement of financial performance reflects a surplus of R9 271 158 for the current year and a deficit of R10 885 761 for the prior year.
- The comparative amounts do not agree to the prior year audited financial statements.
- There is no note or disclosure to support the prior year adjustment and contribution to provisions of R2 739 084 and R275 925 respectively.

Consequently, I was not able to satisfy myself with the accuracy and completeness of the notes referred to above as a result of the absence of supporting documentation and the necessary explanations.

#### **Going concern**

19. The municipality has recorded a surplus of R9 272 158 for the year then ended 30 June 2009 and as of that date the municipality's current liabilities of R8 628 469 exceeded its total current assets by R4 140 691. The municipality has not obtained financing to address this matter. This situation indicates the existence of a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern. The entity may therefore be unable to realise its assets and discharge its liabilities in the normal course of business. The financial statements do not disclose this fact.

#### **Unauthorised, irregular or fruitless and wasteful expenditure**

##### **Unauthorised expenditure**

20. A comparison of the annual budget, adjustments budget and actual amounts spent per vote indicates that the municipality has incurred unauthorised operating expenditure of R5 177 109 and R979 633 of unauthorised capital expenditure. The financial statements do not disclose this fact.

##### **Fruitless and wasteful**

21. Penalties and interest of R25 161 were incurred as a result of the late payment of Pay As You Earn (PAYE). The financial statements do not disclose this fact.
22. In the prior financial year the municipality made an overpayment to a supplier. The supplier was owed R79 772 but was paid R797 712. This has resulted in fruitless and wasteful

expenditure of R718 000 I have not yet obtained the supporting documentation to conclude on the accuracy and completeness of this amount. The municipality has raised a debtor of R718 000 in note 6, however the details in respect of the fruitless and wasteful expenditure has not been disclosed in the notes to the annual financial statements.

### **Irregular expenditure**

23. The municipality incurred irregular expenditure to the amount of R170 694 as the procurement processes required by the Supply Chain Management Regulations were not followed. The financial statements do not disclose this fact.

### **Disclaimer of opinion**

24. Because of the significance of the matters described in the Basis for disclaimer of opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

### **Other matters**

25. I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements.

### **Unaudited supplementary schedules**

26. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with legally adopted budget, in accordance with GRAP1 *presentation of financial statements*. The supplementary budget information set on pages XX to XX do not form part of the financial statements and is presented as additional information. Accordingly I do not express an opinion thereon.

### **Non-compliance with applicable legislation**

27. The following is a list of the items of non-compliance identified during the audit:

### **Municipal Finance Management Act**

28. Service level agreements of the municipality were not documented as evidence of roles, responsibilities, terms and conditions with service providers as required by section 116 (1)(a) of the MFMA.

29. The annual budget of the municipality was not in terms of the prescribed format as required by section 17(2) of the MFMA.

30. All of the municipal council minutes of meetings were not kept on file as required by section 18(2) of the MFMA.

31. The municipal council did not meet at least quarterly required by section 18(2) of the MFMA.

32. All creditors were not paid within 30 days of receipt of an invoice unless otherwise stipulated in a contract as required by section 65(2)(e) of the MFMA.

33. The municipal manager's contract did not specify the municipal managers roles and responsibilities as required by section 60, 61 and 62 of the MFMA.

## **Supply Chain Management Policy**

34. There was non compliance with SCM policies and procedures in awarding of tenders, evidence regarding advertisement of tenders, minutes of bid specifications and bid adjudication committee for infrastructure projects were not be provided for audit.

## **Municipal Systems Act**

The following requirements of Municipal Systems Act were not adhered to:

35. Keeping of operational and specific information to be published on the website as required by section 21A of the Municipal Systems Act ("MSA"):
36. Maintenance and compilation of by-laws as required by section 15 of the MSA.
37. A person to be appointed as the municipal manager of a municipality, and a person to be appointed as a manager directly accountable to the municipal manager, may be appointed to that position only subject to a separate performance agreement concluded annually and must include performance objectives and targets that must be met, and the time frames within which those performance objectives and targets must be met as required by section 57 (4)(a) of the MSA:.

## **Preferential Procurement Policy Framework Act**

38. A preferential points system was not followed on awarding the tenders as required by section 4 of the Preferential Procurement Policy Framework Act number 5 Of 2000:

## **Property Act**

39. The municipal manager did not update Part B of the municipal property register on an annual basis as required by section 23(5) of the Property Act requires.

## **Governance framework**

40. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the internal control deficiencies and key governance responsibilities addressed below:

## **Internal controls**

41. Section 62(1)(c)(i) of the MFMA states that the accounting officer must ensure that the municipality has and maintains effective, efficient and transparent systems of financial and risk management and internal control. The table below depicts the root causes that gave rise to the deficiencies in the system of internal control, which led to the disclaimer of opinion. The root causes are categorised according to the five components of an effective system of internal control. (The number listed per component can be followed with the legend below the table.) In some instances deficiencies exist in more than one internal control component.

Par. no.	Basis for disclaimer of opinion	CE	RA	CA	IC	M
4, 5, 6, 7, 8	Property, plant and equipment	4,6,7				
9	Restatement	7				
10, 11	Revenue	5,6		3,4,6	2	
12	Receivables	6,7				
13	Creditors	6,7			1	
14	Unspent conditional grants receipts	6				
15, 16	Expenditure	6,7				
17, 18	Annual financial statements	6,7				
19	Going Concern	6				
20, 21, 22, 23	Unauthorised, irregular or fruitless and wasteful expenditure	6			2	

42. Based on the above basis of disclaimer table, the overall control environment and governance framework of the municipality is deficient in the following areas and require improvement:

- The municipality did not have personnel that are competent in financial reporting and related matters.
- The accounting officer did not exercise an oversight responsibility over financial reporting and internal control.
- Management's operating style did not promote effective control over financial reporting.
- The manual and automated controls are not designed to ensure that the transactions that have occurred, are authorised, and are completely and accurately processed.
- Actions are not taken by management to address risks to the achievement of financial reporting objectives and deadlines.
- The municipality did not have policies and procedures related to financial reporting.
- Information required to implement internal control is not available to personnel to enable internal control responsibilities.

<b>Legend</b>	
<b>CE = Control environment (ISA 315.14(b) and A69-A75)</b>	
The organisational structure does not address areas of responsibility and lines of reporting to support effective control over financial reporting.	1
Management and staff are not assigned appropriate levels of authority and responsibility to facilitate control over financial reporting.	2
Human resource policies do not facilitate effective recruitment and training, disciplining and supervision of personnel.	3
Integrity and ethical values have not been developed and are not understood to set the standard for financial reporting.	4
The accounting officer/authority does not exercise oversight responsibility over financial reporting and internal control.	5
Management's philosophy and operating style do not promote effective control over financial reporting.	6
The entity does not have individuals competent in financial reporting and related matters.	7
<b>RA = Risk assessment</b>	
Management has not specified financial reporting objectives to enable the	1



<b>Legend</b>	
identification of risks to reliable financial reporting.	
The entity does not identify risks to the achievement of financial reporting objectives.	2
The entity does not analyse the likelihood and impact of the risks identified.	3
The entity does not determine a risk strategy/action plan to manage identified risks.	4
The potential for material misstatement due to fraud is not considered.	5
<b>CA = Control activities</b>	
There is inadequate segregation of duties to prevent fraudulent data and asset misappropriation.	1
General information technology controls have not been designed to maintain the integrity of the information system and security of the data.	2
Manual or automated controls are not designed to ensure that the transactions occurred, are authorised, and are completely and accurately processed.	3
Actions are not taken to address risks to the achievement of financial reporting objectives.	4
Control activities are not selected and developed to mitigate risks over financial reporting.	5
Policies and procedures related to financial reporting are not established and communicated.	6
Realistic targets are not set for financial performance measures, which are in turn not linked to an effective reward system.	7
<b>IC = Information and communication</b>	
Pertinent information is not identified and captured in a form and time frame to support financial reporting.	1
Information required to implement internal control is not available to personnel to enable internal control responsibilities.	2
Communications do not enable and support the understanding and execution of internal control processes and responsibilities by personnel.	3
<b>M = Monitoring</b>	
Ongoing monitoring and supervision are not undertaken to enable an assessment of the effectiveness of internal control over financial reporting.	1
Reviews by internal audit, the audit committee or self-assessment are not evident.	2
Internal control deficiencies are not identified and communicated in a timely manner to allow for corrective action to be taken.	3

### Key governance responsibilities

43. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

No.	Matter	Y	N
<b>Clear trail of supporting documentation that is easily available and provided in a timely manner</b>			
1.	No significant difficulties were experienced during the audit concerning delays or the availability of requested information.		<input type="checkbox"/>
<b>Quality of financial statements and related management information</b>			
2.	The financial statements were not subject to any material amendments resulting from the audit.		<input type="checkbox"/>



No.	Matter	Y	N
3.	The annual report was submitted for consideration prior to the tabling of the auditor's report.		<input type="checkbox"/>
<b>Timeliness of financial statements and management information</b>			
4.	The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA.	<input type="checkbox"/>	
<b>Availability of key officials during audit</b>			
5.	Key officials were available throughout the audit process.		<input type="checkbox"/>
<b>Development and compliance with risk management, effective internal control and governance practices</b>			
6.	Audit committee		
	<ul style="list-style-type: none"> <li>The municipality had an audit committee in operation throughout the financial year.</li> </ul>	<input type="checkbox"/>	
	<ul style="list-style-type: none"> <li>The audit committee operates in accordance with approved, written terms of reference.</li> </ul>	<input type="checkbox"/>	
	<ul style="list-style-type: none"> <li>The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA.</li> </ul>	<input type="checkbox"/>	
7.	Internal audit		
	<ul style="list-style-type: none"> <li>The municipality had an internal audit function in operation throughout the financial year.</li> </ul>		<input type="checkbox"/>
	<ul style="list-style-type: none"> <li>The internal audit function operates in terms of an approved internal audit plan.</li> </ul>		<input type="checkbox"/>
	<ul style="list-style-type: none"> <li>The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA.</li> </ul>		<input type="checkbox"/>
8.	There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management.		<input type="checkbox"/>
9.	There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations.		<input type="checkbox"/>
10.	The information systems were appropriate to facilitate the preparation of the financial statements.		<input type="checkbox"/>
11.	A risk assessment was conducted on a regular basis and a risk management strategy, which includes a fraud prevention plan, is documented and used as set out in section 95(c)(i) of the MFMA.		<input type="checkbox"/>
12.	Delegations of responsibility are in place, as set out in section 79 of the MFMA.	<input type="checkbox"/>	
<b>Follow-up of audit findings</b>			
13.	The prior year audit findings have been substantially addressed.		<input type="checkbox"/>
14.	SCOPA resolutions have been substantially implemented.	<input type="checkbox"/>	
<b>Issues relating to the reporting of performance information</b>			
15.	The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete.		<input type="checkbox"/>
16.	Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information.		<input type="checkbox"/>
17.	A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the Nkandla Municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68/87 of the MFMA (municipalities).		<input type="checkbox"/>
18.	There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance.		<input type="checkbox"/>

44. Based on the above, the overall governance framework of the municipality is ineffective and requires improvement. There is a lack of leadership from the Accounting Officer of the municipality and as a result the finance department lacks direction and there is no general monitoring of compliance with regulations affecting the municipality. The Chief Financial Officer has failed to implement proper financial accounting systems and internal controls to facilitate reliable financial reporting.

### **Investigation**

45. A forensic investigation has been performed with respect to the Municipal Manager and two other directors. These individuals have been suspended with full pay since the commencement of the investigation. The investigation related to the following key areas:

- poor performance;
- contravention of supply chain regulations; and
- Sexual harassment.

The investigation has been completed and the individuals mentioned are now subject to a disciplinary process which is expected to be completed in the course of the 2009/2010 financial year.

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

### **Report on performance information**

46. I have reviewed the performance information as set out on pages XX to XX.

### **The accounting officer's responsibility for the performance information**

47. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

### **The Auditor-General's responsibility**

48. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
49. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
50. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

### **Findings performance information**

### **Policy and procedure for the preparation of the Integrated Development Plan (IDP) and Service Delivery Budget Implementation Plan (SDBIP)**

51. The Nkandla Municipal Council does not have policy and procedures developed for the preparation of the IDP, SDBIP, annual performance report, quarterly reports and mid-year review reports.

#### **Supporting documentation for the preparation of performance reports**

52. The Nkandla Municipal Council did not prepare sufficient supporting documentation for the preparation of the IDP, SDBIP and annual performance report.

#### **Alignment between IDP, SDBIP and annual performance report**

53. The IDP, SDBIP and annual performance reports were not aligned.

#### **Actual achievement against pre-determined targets**

54. The annual performance report does not include the actual achievement against pre-determined objectives.

#### **Narrations for targets not achieved**

55. There are no narrations for targets not achieved in the performance report.

#### **APPRECIATION**

56. The assistance rendered by the staff of the Nkandla Municipality during the audit is sincerely appreciated.

Pietermaritzburg

30 November 2009



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

**NKANDLA LOCAL MUNICIPALITY**  
**STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009**

	Note	2009	2008 Restated
<b>NET ASSETS AND LIABILITIES</b>			
<b>Net Assets</b>		<b>45 163 072</b>	<b>38 340 975</b>
Accumulated Surplus/(Deficit)		45 163 072	38 340 975
<b>Current liabilities</b>		<b>8 628 469</b>	<b>10 863 069</b>
Unspent conditional grants and receipt	13	6 115 044	9 013 103
Creditors	11	2 153 386	1 236 901
Provisions	12	360 040	613 065
<b>Total Net Assets and Liabilities</b>		<b>53 791 542</b>	<b>49 204 044</b>
<b>ASSETS</b>			
<b>Non-current assets</b>		<b>49 303 764</b>	<b>43 830 963</b>
Property, plant and equipment	2	49 303 764	43 830 963
<b>Current Assets</b>		<b>4 487 778</b>	<b>5 373 081</b>
Debtors	6	2 970 220	2 579 799
Call deposits	7	1 170 101	4 740 876
Bank balances and cash	8	347 457	(1 947 594)
<b>Total Assets</b>		<b>53 791 542</b>	<b>49 204 044</b>

**NKANDLA LOCAL MUNICIPALITY  
STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2009**

Budget		Note	Actual			
2008	2009		2009	2008 Restated		
R	R		R	R		
REVENUE						
	600 000	Assessment Rates	17	121 172	320 447	
	125 000	Refuse removal		275 108	437 423	
13 471 000	1 280 000	Government and grar	9	14 020 598	25 592 360	
-	19 980 739	Unconditional Grants		21 344 895	-	
518 000	120 000	Interest earned - investments		379 315	815 544	
-	80 000	Interest earned - current account		75 923	128 498	
-	137 013	Rental of facilities and equipment		240 131	63 492	
327 923	18 000	Sundry Income		16 789	-	
-	534 135	Other		132 224	645 494	
<b>14 316 923</b>	<b>22 874 887</b>	<b>Total Revenue</b>	<b>36 606 153</b>	<b>28 003 259</b>		
EXPENDITURE						
4 745 997	9 500 942	Employee related cos	4	9 601 124	11 610 613	
1 489 854	4 191 172	Remuneration of Cou	5	4 112 664	149 618	
-	-	Depreciation	2	807 947	-	
296 348	892 137	Repairs and maintenance		131 045	1 564 318	
2 946 166	6 805 490	General Expenses		8 708 986	12 344 447	
		Audit Fees		1 126 433		
		Bad debts written off		95 048		
216 558	-	Contributions to provisions		200 043	1 964 898	
	1 485 145	Contribution to project Funds			8 987 995	
-		Grants Expenses		2 550 705	-	
<b>14 316 923</b>	<b>22 874 886</b>	<b>Total Expenditure</b>	<b>27 333 995</b>	<b>36 621 889</b>		
Prior year corrections					16	2 267 131
<b>-</b>	<b>1</b>	<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>9 272 158</b>	<b>-10 885 761</b>		

**NKANDLA LOCAL MUNICIPALITY**  
**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009**

	Statutory Funds	Loans Reemed and Capital Receipts	Accumulated Surplus/ (Deficit)	Total
	R	R	R	R
Balance at 1 July 2007	(2 908 070)	(44 621 973)	2 334 366	2 334 366
Prior Year Adjustment (Note 16)		791 010		-
Implementation of GRAP ( <b>Note 15</b> )	2 908 070	43 830 963	46 739 033	46 739 033
<b>Restated Balance</b>	<b>-</b>	<b>-</b>	<b>49 073 400</b>	<b>49 073 400</b>
Surplus/(deficit) for the year	-	-	(10 885 761)	(10 885 761)
Transfer to Accumulated Surplus (Note 16)	-	-	(397 319)	(397 319)
<b>Balance at 30 June 2008</b>	<b>-</b>	<b>-</b>	<b>37 790 320</b>	<b>37 790 320</b>
			-	
Implementation of GRAP ( <b>Note 15</b> )			550 655	550 655
<b>Balance at 01 July 2008</b>	<b>-</b>	<b>-</b>	<b>38 340 975</b>	<b>38 340 975</b>
Surplus/(deficit) for the year	-	-	9 272 158	9 272 158
Backlog depreceation (Note 15)	-	-	(3 952 722)	(3 952 722)
Current Year Adjustment	-	-	1 502 662	1 502 662
<b>Balance at 30 June 2009</b>	<b>-</b>	<b>-</b>	<b>45 163 072</b>	<b>45 163 072</b>

**NKANDLA LOCAL MUNICIPALITY**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009**

	Note	2009 R	2008 Restated R
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from ratepayers, government and others		33 885 872	25 414 404
Cash paid to suppliers and employees		(24 698 519)	(25 151 090)
Cash generated from/ (utilized in) operations	1	9 187 353	263 314
Interest received		455 238	944 042
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>9 642 591</b>	<b>1 207 356</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(11 469 893)	(10 444 946)
(Increase)/decrease in non-current investments		-	11 428 313
<b>NET CASH FROM INVESTING ACTIVITIES</b>		<b>(11 469 893)</b>	<b>983 367</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1 827 302)</b>	<b>2 190 723</b>
Cash and cash equivalents at the beginning of the year		2 793 283	984 190
Cash and cash equivalents at the end of the year	8	1 517 558	2 793 283

## **NKANDLA MUNICIPALITY**

### **MANDATORY ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009**

#### **1. BASIS OF PRESENTATION**

**The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) as prescribed by the Minister of Finance in terms of:**

- ❖ *General Notice 991 of 2005, issued in Government Gazette no 28095 of 7 December 2005;*
- ❖ *General Notice 992 of 2005, issued in Government Gazette no 28095 of 15 December 2005. And*
- ❖ *Accounting Standards Board Directive 4, issued in March 2009*

**The standards comprise of the following:**

<b>GRAP 1</b>	<b>Presentation of Financial Statements</b>
<b>GRAP 2</b>	<b>Cash Flow Statements</b>
<b>GRAP 3</b>	<b>Accounting Policies, Changes in Accounting Estimates and Errors</b>
<b>GAMAP 4</b>	<b>The Effects of Changes in Foreign Exchange Rates</b>
<b>GAMAP 6</b>	<b>Consolidated Financial Statements and Accounting for Controlled Entities</b>
<b>GAMAP 7</b>	<b>Accounting for Investments in Associates</b>
<b>GAMAP 8</b>	<b>Financial Reporting of Interest in Joint Ventures</b>
<b>GAMAP 9</b>	<b>Revenue</b>
<b>GAMAP 12</b>	<b>Inventories</b>
<b>GAMAP 17</b>	<b>Property, Plant and Equipment</b>
<b>GAMAP 19</b>	<b>Provisions, Contingent Liabilities and Contingent Asset</b>

**Accounting policies for material transactions, event or conditions not covered by the above GRAP standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These Accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (GAAP) including any interpretations of such Statements issued by the Accounting Practices**



**Board. A Summary of the significant accounting policies are disclosed below.**

## **2. PRESENTATION CURRENCY**

These annual financial statements are presented in South African Rand.

## **3. GOING CONCERN ASSUMPTION**

These annual financial statements have been prepared on a going concern basis.

## **4. PROPERTY, PLANT AND EQUIPMENT**

The Municipality has taken the advantage of the transitional provision in GAMAP 17 paragraph 86.

An item property, plant and equipment, which qualifies for recognition, as an asset shall initially be measured at cost. Where the asset to acquired at no cost, or for a nominal cost its cost is its fair value as at the date of acquisition.

The cost of an item of property, plant and equipment includes the estimated cost of dismantling the asset and restoring the site to the extent that it is recognised as a provision.

Property, plant and equipment are stated at cost less accumulated depreciation. Heritage assets which are culturally significant resource and which are shown at cost, are not depreciated owing to the uncertainty regarding their estimated useful lives. Similarly, land is not depreciated as it is deemed to have an indefinite life. The useful life of an item of property plant and equipment is reviewed periodically and if expectations are significantly different from previous estimates, the depreciation charge from the current and future periods shall be adjusted. Where items of property, plant and equipment have been impaired, the carrying value is adjusted by the impairment loss which is recognised as an expense in the period that the impairment is identified.

Subsequent expenditure is capitalised when the recognition and measurement criteria of an asset are met.

Depreciation is calculated on cost, using the straight line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives.

<b>ASSET TYPE</b>	<b>YEARS</b>
Roads and paving	30
Buildings	30
Other vehicles	5-10
Furniture and fittings	5 -10
Computer equipment	3-5

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

## **5. FINANCIAL INSTRUMENTS**

There are four categories of financial instruments: fair value through profit or loss (which includes trading), loans and receivables, held-to-maturity and available for sale. All financial assets that are within the scope of IAS 39 are classified into one of the four categories.

Financial instruments include cash and bank balance, investments, trade receivables and borrowings. The municipality classifies its financial assets as loans and receivables. Where investments have been impaired in accordance with IAS 39, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified.

### **5.1 Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments. They are included in current assets, except for maturities greater than 12 months. These are classified as non-current assets. Loans and receivables are recognised as "trade and other receivables" in the statement of financial position. Loans and receivables are recognised initially at cost which represents fair value. After initial recognition financial assets are measured at amortised cost using the effective interest rate.

### **5.2 Financial Liabilities**

Financial liabilities are recognised initially at cost, which represents fair value. After initial recognition financial liabilities are measured at amortised cost using the effective interest rate.

### **5.3 Gains and losses**

Gains and losses arising from changes in financial or financial liabilities at amortised cost are recognised in profit and loss when the financial asset or liability is derecognised or impaired through the amortisation process.

### **5.4 Investments held-to-maturity**

Subsequent to initial recognition, held-to-maturity assets are measured at amortised cost calculated using the effective interest method.

## **6. ACCOUNTS RECEIVABLE**

Trade and other receivables are recognised initially at cost which represents fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment is established when there is

objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables.

Significant financial difficulties of the debtor and default or delinquency in payments are considered Indicators that the trade receivables are Impaired, The amount of the provision to the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

## **7. PROVISION FOR DOUBTFUL DEBTS**

Accounts receivable are carried at anticipated realisable value.

Doubtful debts are written off during the year in which they are identified. A provision equal to the outstanding amount in excess of 60 days will be maintained .

An annual contribution from revenue will be made based on affordability till the desired provision level is achieved.

## **8. TRADE CREDITORS**

Trade creditors are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

## **9. REVENUE RECOGNITION**

### **Revenue transactions**

Revenue shall be measured at the fair value or the consideration received or receivable. No settlement discount is applicable.

### ***Rendering of service***

When the outcome of a transaction can be estimated reliably relating to the rendering of a service, revenue associated with the transaction shall be recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of the transaction can be measured reliably when all of the following conditions are satisfied:

- ❖ The amount of revenue can be measured reliably
- ❖ It is probable that the economic benefits or services potential associated with the transaction will flow to the entity
- ❖ The stage of completion of the transaction at the reporting date can be measured reliably
- ❖ The cost incurred for the transaction and the cost to complete the transaction can be measured reliably

This principle also applies to tariffs or charges,

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses that are recoverable.

### **Sale of land**

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- ❖ The amount of revenue can be measured reliably.
- ❖ The transfer has been effected with the deeds office.

### *Rates including collection charges and penalty interest*

Revenue from rates including charges and penalty Interest, shall be recognised when all the following conditions have been satisfied:

- ❖ The amount of revenue can be measured reliably
- ❖ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality and
- ❖ There has been compliance with the relevant legal requirements.

### *Service charges*

Flat rate service charges and consumption-based service charges shall be recognised when:

- ❖ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- ❖ The amount of the revenue can be measured reliable.

### *Government Grants*

Government Grants can begin the form of grants to acquire or constructed fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services. Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Government grants are recognised as revenue when:

- ❖ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- ❖ The amount of the revenue be measured reliably and
- ❖ To the extent that there has been compliance with any restrictions associated with the grant.

### **Other grants and donations received:**

Other grants and donations shall be recognized as revenue when:

- ❖ It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- ❖ The amount of the revenue be measured reliably and

- ❖ **To the extent that there has been compliance with any restrictions associated with the grant.**

### **Levies**

Levies shall be recognised as revenue when:

- ❖ It is probable that the economic benefits or service potential associated with this transaction will flow to the municipality, and
- ❖ The amount of the revenue can be measured reliably.

### **Interest, royalties and dividends:**

Revenue arising from the use of assets by others of the municipal assets yielding interest royalties and dividends shall be recognised when:

- ❖ It is probable that the economic benefits or service potential associated with this transaction will flow to the municipality, and
- ❖ The amount of the revenue can be measured reliably.

Interest shall be recognised on a time proportionate basis that takes into account the effective yield on the asset.

Royalties shall be recognised as they are earned in accordance with the substance of the relevant agreement, and

Dividends on their equivalents shall be recognised when the shareholder's right to receive payment is established.

Income for agency services recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the recovery of unauthorized irregular, fruitless and wasteful expenditure is based on legislated procedures including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognised when the recovery thereof from the responsible councilors or officials is virtually certain.

## **10. PROVISIONS**

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to, settle the obligation and reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

## **11. CASH AND EQUIVALENTS**

Cash Includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid Investments that are held with registered banking Institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Bank overdrafts are recorded based on the facility utilised, finance charges on bank overdrafts are expensed as Incurred.

## **12. COMPARITIVE INFORMATION**

### **12.1 CURRENT YEAR COMPARITIVES**

Budgeted amounts have been included in the annual financial statements for the current financial year only.

### **12.2 PRIOR YEAR COMPARITIVES**

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed,

## **13. LEASES**

Operating lease payments are recognised on a cash flow basis during the transitional period.

## **14. CONTRIBUTIONS**

Contributions reflected in the statement of financial performance consist of contributions to the leave reserve fund and working capital reserve (Provision for bad debts).

**NKANDLA MUNICIPALITY**  
**NOTES TO THE ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

	2009	2008 Restated
<b>1. CASH GENERATED BY OPERATIONS</b>		
Surplus for the year	8 554 158	397 319
Adjustments for:-		-
Depreciation	807 947	-
Investment Income	(455 238)	(562 412)
Prior year adjustments	2 739 084	
Contribution to provisions - current	(275 925)	462 588
Bad Debts Writted Off	-	-
<b>Operating surplus/(deficit) before working capital changes</b>	<b>11 370 026</b>	<b>297 495</b>
(Increase)/decrease in inventory	-	-
(Increase)/decrease in debtors	327 579	663 524
(Increase)/decrease in other debtors	-	-
Conditional grants and receipts	(2 898 059)	(1 153 188)
Increase/(Decrease) in creditors	387 807	455 482
<b>Cash generated by operations</b>	<b>9 187 353</b>	<b>263 314</b>

**2. PROPERTY, PLANT AND EQUIPMENT**

30-Jun-09	Land and Buildings R	Infrastructure R	Other Assets R	Total R
<b>Carrying Value</b>	<b>30 108 707</b>	<b>9 199 890</b>	<b>4 522 367</b>	<b>43 830 964</b>
Cost	23 335 833	15 980 568	5 305 573	44 621 974
Correction of Error	6 772 874	(6 780 678)	(783 206)	(791 010)
Accumulated Depreciation	-	-	-	-
Additions	6 880 261	4 395 864	218 155	11 494 279
Correction of error	-	-	(1 260 810)	(1 260 810)
Backlog Depreciation	(2 802 122)	-	(1 150 600)	(3 952 722)
Depreciation	(438 688)	-	(369 259)	(807 947)
<b>Carrying Value</b>	<b>33 748 158</b>	<b>13 595 754</b>	<b>1 959 852</b>	<b>49 303 764</b>
Cost	36 988 968	13 595 754	3 479 712	54 064 434
Accumulated Depreciation	(3 240 810)	-	(1 519 860)	(4 760 669)

30-Jun-08	Land and Buildings R	Infrastructure R	Other Assets R	Total R
<b>Carrying Value</b>	<b>18 071 640</b>	<b>11 655 181</b>	<b>4 450 206</b>	<b>34 177 027</b>
Cost	18 071 640	11 655 181	4 450 206	34 177 027
Accumulated Depreciation	-	-	-	-
Additions	5 264 193	4 325 387	855 367	10 444 947
Correction of Error	6 772 874	(6 780 678)	(783 205.57)	(791 010)
<b>Disposals</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Cost	-	-	-	-
Accumulated Depreciation	-	-	-	-
<b>Carrying Value</b>	<b>30 108 707</b>	<b>9 199 890</b>	<b>4 522 367</b>	<b>43 830 964</b>
Cost	23 335 833	15 980 568	5 305 573	44 621 974
Correction of Error	6 772 874	(6 780 678)	(783 206)	(791 010)
Accumulated Depreciation	-	-	-	-

In terms of Directive 4 the municipality will use the Transitional Provisions in respect of transactions related to Property, Plant and Equipment. The municipality disclosed the PPE at cost and no revaluations were done on any PPE.

**NKANDLA MUNICIPALITY  
NOTES TO ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**2009**                      **2008**  
**Restated**

**3. ADDITIONAL DISCLOSURES IN TERMS OF MFMA**

**3.1 Audit fees**

Opening balance	-	-
Current year audit fees	926 144	-
Amount paid - current year	(907 414)	-
Amount paid - prior years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>18 730</b>	<b>-</b>

**3.2 PAYE and UIF**

Opening balance	-	-
Current year payroll deductions	1 684 840	-
Amount paid - current year	(1 684 840)	-
Amount paid - prior years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**3.3 Pension deductions**

Opening balance	-	-
Current year payroll deductions	755 293	-
Current year Council Contributions	370 052	-
Amount paid - current year	(1 125 348)	-
Amount paid - prior years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>(4)</b>	<b>-</b>

**3.4 Medical Aid deductions**

Opening balance	-	-
Current year payroll deductions	-	-
Current year Council Contributions	369 119	-
Amount paid - current year	(369 119)	-
Amount paid - prior years	-	-
<b>Balance unpaid (included in creditors)</b>	<b>-</b>	<b>-</b>

**3.5 RETIREMENT BENEFIT INFORMATION**

Nkandla Local Municipality and its employees contribute to the Natal Joint Municipal Pension Fund or the KwaZulu-Natal Joint Municipal Provident Fund which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules and regulations prescribed by the Local Government Superannuation Ordinance, 1973 (Ordinance No. 24 of 1973) and in accordance with the requirements of the Pensions Fund Act, 1956.

Current contributions are charged against operating income on the basis of current service costs. Full actuarial valuations are performed at least every three years.



**NKANDLA MUNICIPALITY  
NOTES TO ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

**4. EMPLOYEE RELATED COSTS**

Employee related costs - Salaries and Wages  
Employee related costs  
- Contributions for UIF, SALGBC  
- Contributions for pensions  
- Contributions for medical aids  
Travel, subsistence and other allowances  
Housing benefits and allowances  
Overtime payments  
Group Life  
Performance bonuses  
Less: Employee costs included in other expenses  
Total Employee related costs

**2009**

**2008  
Restated**

7 163 496	-
1 109 106	-
50 755	-
705 819	-
352 532	-
1 023 816	-
266 406	-
38 299	-
-	-
-	-
-	-
9 601 124	11 610 613

***Remuneration of the Municipal Manager***

Annual Remuneration  
Performance Bonuses  
Cell phone Allowances  
Car Allowances  
Contributions to UIF, SALGBC  
Less: Employee costs included in other expenses  
**Total**

403 833	-
-	-
120 000	-
72 000	-
2 097	-
-	-
597 930	550 169

***Remuneration of the Chief Financial Officer***

Annual Remuneration  
Performance Bonuses  
Cell phone Allowances  
Car Allowances  
Contributions to UIF, SALGBC  
Less: Employee costs included in other expenses  
**Total**

303 874	-
-	-
94 583	-
108 000	-
2 097	-
-	-
508 555	453 775

***Remuneration of the Corporate Services Manager***

Annual Remuneration  
Performance Bonuses  
Cell phone Allowances  
Car Allowances  
Contributions to UIF, SALGBC  
Less: Employee costs included in other expenses  
**Total**

303 874	-
-	-
94 583	-
108 000	-
2 097	-
-	-
508 555	479 489

***Remuneration of the Community Manager***

Annual Remuneration  
Performance Bonuses  
Cell phone Allowances  
Car Allowances  
Contributions to UIF, SALGBC  
Less: Employee costs included in other expenses  
**Total**

303 874	-
-	-
94 583	-
108 000	-
2 097	-
-	-
508 555	467 643

***Remuneration of the Technical Services Manager***

Annual Remuneration  
Performance Bonuses  
Cell phone Allowances  
Car Allowances  
Contributions to UIF, SALGBC  
Less: Employee costs included in other expenses  
**Total**

303 874	-
-	-
94 583	-
108 000	-
2 097	-
-	-
508 555	469 108

**NKANDLA MUNICIPALITY  
NOTES TO ANNUAL FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2009**

	<b>2009</b>	<b>2008 Restated</b>
<b>5. REMUNERATION OF COUNCILORS</b>		
<b>Mayor's allowance</b>		
Basic Salary	168 347	-
Travel Allowance	63 669	-
Cell phone Allowance	9 972	-
Pension	-	-
Personal Facility Usage Allowance	-	-
<b>Total Allowances</b>	<b>241 987</b>	<b>222 162</b>
<b>Deputy Mayor's allowance</b>		
Basic Salary	135 128	-
Travel Allowance	50 935	-
Cell phone Allowance	9 972	-
Pension	-	-
Personal Facility Usage Allowance	-	-
<b>Total Allowances</b>	<b>196 035</b>	<b>179 526</b>
<b>Speaker's allowance</b>		
Basic Salary	135 128	-
Travel Allowance	50 935	-
Cell phone Allowance	9 972	-
Pension	-	-
Personal Facility Usage Allowance	-	-
<b>Total Allowances</b>	<b>196 035</b>	<b>179 526</b>
<b>Exco Members' allowance</b>		
Basic Salary	380 740	-
Travel Allowance	143 358	-
Cell phone Allowance	29 916	-
Pension	-	-
Personal Facility Usage Allowance	-	-
<b>Total Allowances</b>	<b>554 014</b>	<b>506 987</b>
<b>Other councilors' Allowances</b>		
Basic Salary	1 972 860	-
Travel Allowance	742 321	-
Cell phone Allowance	209 412	-
Pension	-	-
Personal Facility Usage Allowance	-	-
<b>Total Allowances</b>	<b>2 924 593</b>	<b>2 712 844</b>
<b>Total Councilor allowances</b>	<b>4 112 664</b>	<b>3 801 045</b>

These allowances are at the full upper-limit as set by the Minister of Provincial and Local Government Department and the subsequent approval by the MEC of Traditional and Local Government Affairs in KwaZulu-Natal.

**NKANDLA MUNICIPALITY  
NOTES TO ANNUAL FINANCIAL STATEMENTS  
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	2009	2008 Restated
<b>6. DEBTORS</b>		
Sundry debtors	233 345	468 780
Consumer Debtors	4 795 822	3 716 270
VAT Control Account	1 946 027	1 870 856
Fruitless and wasteful expenditure	718 000	718 000
Suspense Account	-	52 900
	<u>7 693 194</u>	<u>6 826 806</u>
Less: Provision for bad debts	(4 722 975)	(4 247 007)
Provision for bad debts (Consumer Debtors)	<u>(4 722 975)</u>	<u>(4 247 007)</u>
<b>Total Debtors</b>	<b><u>2 970 220</u></b>	<b><u>2 579 799</u></b>

**7. CALL DEPOSITS**

**Call Account**

ABSA Bank (La Lucia Ridge branch)  
Account Number:- 91 0467 9851

Bank balance at beginning of the year	196 361	
Bank balance at end of the year	394 999	196 361

**MIG Call Account**

ABSA Bank (La Lucia Ridge branch)  
Account Number:- 91 0899 7407

Bank balance at beginning of the year	-	-
Bank balance at end of the year	738 156	2 520 889

**NKANDLA MUNICIPALITY  
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	2009	2008 Restated
<b><u>Conditional grants Call Account</u></b>		
ABSA Bank (La Lucia Ridge branch) Account Number:- 91 3239 7071		
Bank balance at beginning of the year	-	-
Bank balance at end of the year	36 945	2 023 627
<b>Call Deposits</b>		
Bank: ABSA Account No.: 20-6274-4470 Account Type: Fixed Deposit		
Opening Balance	4 740 876	11 437 833
Prior year adjustments	-	-
Withdrawals	(22 376 401)	(22 980 606)
Investments	18 426 310	15 468 105
Interest re-invested	379 315	815 544
Closing Balance.	<u>1 170 101</u>	<u>4 740 876</u>

**8. BANK BALANCES AND CASH**

The municipality has the following bank accounts

**Current Account (Primary Bank Account)**

ABSA Bank (Richards Bay branch)  
Account Number:-

Cash book balance at beginning of the year	(1 969 206)	-
Cash book balance at end of the year	<u>347 457</u>	<u>(1 969 206)</u>

**Petty Cash**

Bank balance at beginning of the year	2 035	-
Bank balance at end of the year	-	2 035

**Petty Cash**

Bank balance at beginning of the year	19 577	-
Bank balance at end of the year	-	19 577

Total balances of bank and cash may be summarised as follows;

Primary bank account	347 457	(1 969 206)
Petty Cash	-	21 612
	<u>347 457</u>	<u>(1 947 594)</u>

**8.2 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position:

Bank balances and cash	347 457	(1 947 594)
Call deposits	1 170 101	4 740 876
<b>Total cash and cash equivalents</b>	<u>1 517 558</u>	<u>2 793 283</u>

**NKANDLA MUNICIPALITY  
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	2009	2008
<b>9. GOVERNMENT GRANTS AND SUBSIDIES</b>		
-MSIP Grant	40 000	-
-MIG 2005/06	10 603 867	7 159 831
-FMG 2005/06	4 225	51 071
-MPCC Lindela	5 000	14 702
-Tax Grant	78 000	267 791
-Free Basic Services Grant	70 502	1 419 224
-GIS Grant	35 062	116 803
-Anti Corruption Grant	-	5 050
-Housing Grant	-	88 472
-MDISG	132 063	-
-MAP Grant	767 994	155 241
-Property Rates Act Implementation Grant	-	55 100
-Interdepartmental Monitoring Grant	-	51 754
-MPS Grant 2005/06	-	-
-MFMA 2005/06	-	105 640
-Nkungumathe Stadium	672 257	-
-Valuation Roll	46 457	-
-MSIG 2005/06	-	491 003
-Community Development Workers Grant	-	2 000
-Project Consolidate Grant	-	348 791
-Essential Oils	2 750	142 094
-Town Planning Scheme Grant	116 491	93 509
-Urban Renewal Grant	-	104 920
-HR Systems Grant	-	173 224
-MSIG	302 349	400 989
-FMG	555 261	613 097
-E-Learning	774 091	-
-Zulu Dance	8 000	25 529
Total government grant and subsidies	<u>14 214 369</u>	<u>11 885 835</u>

**NKANDLA MUNICIPALITY**  
**NOTES TO ANNUAL FINANCIAL STATEMENTS**  
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**9.1 Equitable Share**

The FBE portion of the equitable share is utilized in provision of 50kw of electricity per month to each household determined as indigent as per our indigent policy.

2009	2008
21 344 895	14 859 713

**9.2 National Treasury- MSIP**

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Grant Overspent

(88 096)	(88 096)
-	-
40 000	-
(48 096)	(88 096)

**9.3 Public Participation**

Balance unspent at beginning of year  
Prior year adjustments  
Current year receipts  
Conditions met - transferred to revenue  
Conditions still to be met - transferred to liabilities

(237 519)	(37 519)
-	-
-	(200 000)
-	-
(237 519)	(237 519)

**9.4 MIG 2005/06**

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Grant Overspent

(2 927 044)	(4 365 769)
(9 289 610)	(5 721 105)
10 603 867	7 159 831
(1 612 786)	(2 927 044)

**9.5 FMG 2005/06**

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Conditions still to be met - transferred to liabilities

27 900	(23 171)
-	-
4 225	51 071
32 125	27 900

**9.6. Infrastructure Investment Program**

Balance unspent at beginning of year  
Prior year adjustment  
Current year receipts  
Conditions met - transferred to revenue  
Conditions still to be met - transferred to liabilities

(235 929)	(235 929)
-	-
-	-
-	-
(235 929)	(235 929)

**9.7. MPCC Lindela**

Balance unspent at beginning of year  
Prior year adjustment  
Current year receipts  
Conditions met - transferred to revenue  
All conditions met and Grant Overspent

(18 240)	(32 942)
-	-
-	-
5 000	14 702
(13 240)	(18 240)

**9.8 Tax Grant**

Balance unspent at beginning of year  
Prior year adjustment  
Current year receipts  
Conditions met - transferred to revenue  
All conditions met and Grant Overspent

(110 877)	(378 668)
-	-
-	-
78 000	267 791
(32 877)	(110 877)

**9.9. Free Basic Services**

Balance unspent at beginning of year  
Prior year adjustments  
Current year receipts  
Conditions met - transferred to revenue  
All conditions met and Grant Overspent

-	-
-	-
-	(1 419 224)
70 502	1 419 224
70 502	-

**9.10 Capacity Support Grant**

Balance unspent at beginning of year  
Prior year adjustments  
Current year receipts  
Conditions met - transferred to revenue  
All conditions met and Grant Overspent

(22 105)	(22 105)
-	-
-	-
-	-
(22 105)	(22 105)

**NKANDLA MUNICIPALITY**  
**NOTES TO ANNUAL FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2009**

**9.11 GIS Grant**

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
All conditions met and Grant Overspent

2009	2008
(60 144)	(176 947)
-	-
35 062	116 803
(25 083)	(60 144)

**9.12 Development Planning Grant**

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Conditions still to be met - transferred to liabilities

0	-
-	-
-	-
0	0

**9.13 LUMS Grant**

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Conditions still to be met - transferred to liabilities

(32 373)	(32 373)
-	-
-	-
(32 373)	(32 373)

**9.14. Anti Corruption Grant**

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Conditions still to be met - transferred to liabilities

(5 993)	(11 043)
-	-
-	5 050
(5 993)	(5 993)

**9.15. Housing Grant**

Balance unspent at beginning of year  
Prior year adjustments  
Current year receipts  
Conditions met - transferred to revenue  
Conditions still to be met - transferred to liabilities

(11 162)	-
-	-
-	(99 634)
-	88 472
(11 162)	(11 162)

**9.16 MDISG Grant**

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
All conditions met and Grant Overspent

(176 947)	(176 947)
-	-
132 063	-
(44 884)	(176 947)

**9.17. MAP Grant**

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Conditions still to be met - transferred to liabilities

(908 408)	(963 650)
-	(100 000)
767 994	155 241
(140 415)	(908 408)

**9.18. Property Rates Grant**

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Conditions still to be met - transferred to liabilities

18 792	(36 308)
-	-
-	55 100
18 792	18 792

**9.19. Interdepartmental Monitoring Grant**

Balance unspent at beginning of year  
Current year receipts  
Conditions met - transferred to revenue  
Conditions still to be met - transferred to liabilities

(19 024)	(70 779)
-	-
-	51 754
(19 024)	(19 024)

**9.20. PMS Grant**

Balance unspent at beginning of year  
Prior year adjustments  
Current year receipts  
Conditions met - transferred to revenue  
Conditions still to be met - transferred to liabilities

(3 367)	(3 367)
-	-
-	-
-	-
(3 367)	(3 367)

	2009	2008
<b>9.21. MFMA 2005/06</b>		
Balance unspent at beginning of year	(36 215)	(141 855)
Prior year adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	105 640
All conditions met and Grant Overspent	<u>(36 215)</u>	<u>(36 215)</u>
<b>9.22. Man Assistance Grant</b>		
Balance unspent at beginning of year	1	-
Prior year adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
All conditions met and Grant Overspent	<u>1</u>	<u>1</u>
<b>9.23 Nkungumathe Stadium</b>		
Balance unspent at beginning of year	(325 000)	-
Prior year adjustments	-	-
Current year receipts	(791 700)	(325 000)
Conditions met - transferred to revenue	672 257	-
Conditions still to be met - transferred to liabilities	<u>(444 443)</u>	<u>(325 000)</u>
<b>9.24 Valuation Roll Grant</b>		
Balance unspent at beginning of year	(66 701)	(66 701)
Prior year adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	46 457	-
Conditions still to be met - transferred to liabilities	<u>(20 244)</u>	<u>(66 701)</u>
<b>9.25. Interdepartmental Grant</b>		
Balance unspent at beginning of year	(47 186)	(47 186)
Prior year adjustments	-	-
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
All conditions met and Grant Overspent	<u>(47 186)</u>	<u>(47 186)</u>
<b>9.26 MSIG 2005/06 Grant</b>		
Balance unspent at beginning of year	461 430	(29 574)
Prior year adjustments	-	-
Current year receipts	(735 000)	-
Conditions met - transferred to revenue	-	491 003
All conditions met and Grant Overspent	<u>(273 570)</u>	<u>461 430</u>
<b>9.27 COM DEV Workers</b>		
Balance unspent at beginning of year	(79 269)	(81 269)
Current year receipts	-	-
Conditions met - transferred to revenue	-	2 000
All conditions met and Grant Overspent	<u>(79 269)</u>	<u>(79 269)</u>
<b>9.28 Project Consolidate</b>		
Balance unspent at beginning of year	(1 859 342)	(1 208 133)
Prior year adjustments	-	-
Current year receipts	-	(1 000 000)
Conditions met - transferred to revenue	-	348 791
Conditions still to be met - transferred to liabilities	<u>(1 859 342)</u>	<u>(1 859 342)</u>
<b>9.29 Essential Oils</b>		
Balance unspent at beginning of year	(63 236)	1 677
Prior adjustments	-	-
Current year receipts	-	(207 006)
Conditions met - transferred to revenue	2 750	142 094
All conditions met and Grant Overspent	<u>(60 486)</u>	<u>(63 236)</u>



	2009	2008
<b>9.30 Town Planning Scheme</b>		
Balance unspent at beginning of year	(145 419)	(137 252)
Current year receipts	-	(101 677)
Conditions met - transferred to revenue	116 491	93 509
All conditions met and Grant Overspent	<u>(28 928)</u>	<u>(145 419)</u>
<b>9.31 Urban Renewal Grant</b>		
Balance unspent at beginning of year	(61 367)	(166 287)
Current year receipts	-	-
Conditions met - transferred to revenue	-	104 920
Conditions still to be met - transferred to liabilities	<u>(61 367)</u>	<u>(61 367)</u>
<b>9.32 HR Systems</b>		
Balance unspent at beginning of year	20 348	(152 876)
Current year receipts	-	-
Conditions met - transferred to revenue	-	173 224
Conditions still to be met - transferred to liabilities	<u>20 348</u>	<u>20 348</u>
<b>9.33. MSIG</b>		
Balance unspent at beginning of year	(467 302)	(134 291)
Current year receipts	-	(734 000)
Conditions met - transferred to revenue	302 349	400 989
Conditions still to be met - transferred to liabilities	<u>(164 953)</u>	<u>(467 302)</u>
<b>9.34. FMG</b>		
Balance unspent at beginning of year	(340 883)	(128 980)
Current year receipts	(500 000)	(825 000)
Conditions met - transferred to revenue	555 261	613 097
Conditions still to be met - transferred to liabilities	<u>(285 622)</u>	<u>(340 883)</u>
<b>9.35. E- LEARNING GRANT</b>		
Balance unspent at beginning of year	(1 179 647)	(1 179 647)
Current year receipts	-	-
Conditions met - transferred to revenue	774 091	-
All conditions met	<u>(405 556)</u>	<u>(1 179 647)</u>
<b>9.36. DEVELOPMENT PLANNING</b>		
Balance unspent at beginning of year	(9 777)	(9 777)
Current year receipts	-	-
Conditions met - transferred to revenue	-	-
All Conditions met	<u>(9 777)</u>	<u>(9 777)</u>
<b>9.37 ZULU DANCE</b>		
Balance unspent at beginning of year	(3 000)	(28 529)
Current year receipts	-	-
Conditions met - transferred to revenue	8 000	25 529
All Conditions met	<u>5 000</u>	<u>(3 000)</u>

	2009	2008 Restated
<b>10. OTHER INCOME</b>		
Burial Fees	4 426	-
Concession Fee	8 884	-
Library Fees	19 031	
Lindela Thusong Service Centre	10 500	
Sportfield	6 815	
Table Chairs & Hall hire	27 681	
Tenders- Procurement	42 678	
Taxi Ranks	10 786	
Warning Fees	1 423	-
Total other income	<u>132 224</u>	<u>-</u>

#### 11. CREDITORS

Trade creditors	(444 536)	(868 044)
Payments received in advance	(1 180 172)	-
Suspense		(306 507)
Long outstanding cheques	(528 678)	
Other creditors		(62 350)
Total Creditors	<u>(2 153 386)</u>	<u>(1 236 901)</u>

#### 12. PROVISIONS

Staff leave	(360 040)	(613 065)
Bonus Provisions	-	(379 295)
Councillor Allowances Provision	-	-
Audit Provisions	-	(171 360)
GRAP Conversion adjustment (refer to Note 15)		550 655
Total provisions	<u>(360 040)</u>	<u>(613 065)</u>

	2009	2008
<b>13. UNSPENT CONDITIONAL GRANTS AND RECEIPTS</b>		
-MSIP Grant	(48 096)	(88 096)
-Public Participation	(237 519)	(237 519)
-MIG 2005/06	(1 612 786)	(2 927 044)
-FMG 2005/06	32 125	27 900
-Infrastructure Investment Program Grant	(235 929)	(235 929)
-MPCC Lindela	(13 240)	(18 240)
-Tax Grant	(32 877)	(110 877)
-Free Basic Services Grant	70 502	-
-Capacity Support Grant	(22 105)	(22 105)
-GIS Grant	(25 083)	(60 144)
-Development Planning Grant	0	0
-LUMS Grant	(32 373)	(32 373)
-Anti Corruption Grant	(5 993)	(5 993)
-Housing Grant	(11 162)	(11 162)
-MDISG	(44 884)	(176 947)
-MAP Grant	(140 415)	(908 408)
-Property Rates Act Implementation Grant	18 792	18 792
-Interdepartmental Monitoring Grant	(19 024)	(19 024)
-MPS Grant 2005/06	(3 367)	(3 367)
-MFMA 2005/06	(36 215)	(36 215)
-Management Assistance Program	1	1
-Nkungumathe Stadium	(444 443)	(325 000)
-Valuation Roll	(20 244)	(66 701)
-Interdepartmental Monitoring Grant	(47 186)	(47 186)
-MSIG 2005/06	(273 570)	461 430
-Community Development Workers Grant	(79 269)	(79 269)
-Project Consolidate Grant	(1 859 342)	(1 859 342)
-Essential Oils	(60 486)	(63 236)
-Town Planning Scheme Grant	(28 928)	(145 419)
-Urban Renewal Grant	(61 367)	(61 367)
-HR Systems Grant	20 348	20 348
-MSIG	(164 953)	(467 302)
-FMG	(285 622)	(340 883)
-E-Learning	(405 556)	(1 179 647)
-Development Planning Grant	(9 777)	(9 777)
-Zulu Dance	5 000	(3 000)
-FMG		
-FMG		
Total unspent conditional grants and receipts	<u>(6 115 044)</u>	<u>(9 013 103)</u>

#### 14. CAPITAL COMMITMENTS

Commitments in respect of capital expenditure

Mfongosi/Ngono road	1 531 000	
Ekhombe Taxi Rank	1 780 000	
CBD Roads & Storm Water	6 350 000	
SMME Park	2 500 000	
Total	<u>12 161 000</u>	<u>15 731 906</u>

This expenditure will be financed as follows

-Equitable share		
-Government Grants: MIG	12 161 000	10 444 947
-Prior years surpluses	-	-
	<u>12 161 000</u>	<u>10 444 947</u>

	2009	2008
<b>15. CHANGES IN ACCOUNTING POLICY IMPLEMENTATION OF GRAP</b>		
The following adjustments were made to amounts previously reported in the annual financial statements of the Municipality arising from the implementation of GRAP		
<b>15.1 Statutory Funds</b>		
<b>Balance previously reported</b>		
Capital Development Fund	-	2 149 742
Public Improvement Fund	-	758 328
	<u>-</u>	<u>2 908 070</u>
<b>Implementation of GRAP</b>		
Transferred to Accumulated surplus	<u>-</u>	<u>2 908 070</u>
<b>15.2 Loans redeemed and other capital receipts</b>		
<b>Balance previously reported</b>	<u>-</u>	<u>44 621 973</u>
<b>Implementation of GRAP</b>		
Transferred to Accumulated Surplus	<u>-</u>	<u>44 621 973</u>
<b>15.3 Provisions and reserves</b>		
<b>Balance previously reported</b>		
Bonus Provision	-	379 295
Audit Fee Provision	-	171 360
	<u>-</u>	<u>550 655</u>
<b>Implementation of GRAP</b>		
Transferred to Accumulated Surplus	<u>-</u>	<u>550 655</u>
<b>15.4 Accumulated Depreciation</b>		
<b>Balance previously reported</b>	<u>-</u>	<u>-</u>
<b>Implementation of GRAP</b>		
Backlog depreciation- Land and Buildings	2 802 122	-
Backlog depreciation- Infrastructure	-	-
Backlog depreciation- Other Assets	1 150 600	-
<b>Total debited from accumulated surplus</b>	<u>3 952 722</u>	<u>-</u>
<b>15.5 Accumulated Surplus/(Deficit)</b>		
<b>Implementation of GRAP</b>		
Excessive provisions and reserves no longer permitted	-	550 655
Transferred from Statutory Funds	-	2 908 070
Transferred from Loans Redeemed and other capital receipts		43 830 963
Property Plant and Equipment recognised in terms of GRAP	-	-
Backlog depreciation	(3 952 722)	-
<b>Total</b>	<u>(3 952 722)</u>	<u>47 289 688</u>

**NKANDLA MUNICIPALITY  
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**16. PRIOR YEAR ADJUSTMENTS**

	Disclosed in 2007-08	Adjustment	Restated Amount
<b>16.1. Changes relating to Property Plant and Equipment</b>			
1. Land and buildings	23 335 833	6 772 874	30 108 707
2. Infrastructure	15 980 568	(6 780 678)	9 199 890
3. Other Assets	5 305 573	(783 206)	4 522 367
4. Loans Redeemed and capital receipts	(44 621 973)	791 010	(43 830 964)

These changes are due to a comprehensive assessment of the Fixed Assets Register that lead to the reclassification of assets. This resulted to a transfer of some assets to other categories. The amount of R 791,010 is an adjustment to update the ledger to be in line with verified assets in the Fixed Assets Register

**16.2. Other Changes due to errors in the preparation of the 2007/08 Annual Financial Statements**

After reconsidering the Annual Financial Statements for 2007/08 (due to a disclaimer opinion) errors were identified from the AFS'. Below are the corrections that have been effected on the opening balances and explanations thereto.

	Disclosed in 2007-08	Adjustment	Restated Amount	
<b>Accumulated Surplus/(Deficit)</b>	<b>(9 039 668.00)</b>	<b>47 380 643</b>	<b>38 340 975</b>	
Opening Balance	(2 323 387.00)	4 646 774	2 334 366	Amount wrongly disclosed as -ve on AFS
		10 979		Balancing figure for Abakus/e-venus migration
Deficit for the year	(8 618 630.00)	(2 267 131)	(10 885 761)	Expenditure not included in 2007/08 AFS
Appropriations for the year	1 902 349.00	(1 902 349)	-	Can not be found on GL
Appropriations for the year		(397 319)	(397 319)	Appropriations as per GL
GRAP Implementation		47 289 688	47 289 688	GRAP conversion (see Note 15)
<b>Statutory Funds</b>	<b>2 908 070.00</b>	<b>(2 908 070)</b>	<b>-</b>	
Capital Development Fund	2 149 742.00	(2 149 742)	-	GRAP conversion (see Note 15)
Public Improvement Fund	758 328.00	(758 328)	-	GRAP conversion (see Note 15)
<b>Consumer Deposits: Services</b>	<b>309 807.00</b>	<b>(309 807)</b>	<b>-</b>	
Opening Balance	309 807.00	(309 807)	-	Amounts included did not constitute consumer deposits
<b>Debtors</b>	<b>2 461 086.00</b>	<b>118 712</b>	<b>2 579 798</b>	
Sundry debtors	850 754.00	336 025	1 186 779	Reclassification of sundry debtors
Consumer Debtors	3 716 270.00	(0)	3 716 270	
VAT Control	1 812 494.00	58 362	1 870 856	Vat creditor reclassified to creditors
Suspence Account	-	52 901	52 901	Previously wrongly classified
Amount paid in advance	328 575.00	(328 575)	-	Included in sundry debtors
Less: Provision for bad debts	(4 247 007.00)	-	(4 247 007)	
<b>Provisions</b>	<b>1 163 720.00</b>	<b>(550 655)</b>	<b>613 065</b>	
Staff leave	613 065.00		613 065	
Bonus Provisions	379 295.00	(379 295)	-	Provision does not meet GRAP recognition criteria (Note 15)
Councillor Allowances Provision	-	-	-	
Audit Provisions	171 360.00	(171 360)	-	Provision does not meet GRAP recognition criteria (Note 15)
Total provisions				
<b>Creditors</b>	<b>877 724.00</b>	<b>308 026</b>	<b>1 236 901</b>	
Trade creditors	816 893.00		868 044	Reclassification
VAT Creditor	58 361.00	(58 361)	-	Reclassification
Payments received in advance	-	-	-	
St.Cash and Cash Equivalents	-	306 507	306 507	Previously wrongly classified
Other creditors	2 470.00	59 880	62 350	Including VAT creditors & other sundry creditors

**17. ASSESSMENT RATES**

	2009	2008
Total Market Value	53 833 400	
less: Exemptions	(48 916 654)	
Net ratable value	4 916 746	
Assessment rates	121 172	

**APPENDIX I**  
**NKANDLA LOCAL MUNICIPALITY**  
**ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2009**

	Opening Balance	COST Additions	Closing Balance	Opening Balance	ACCUMULATED DEPRECIATION Additions & Backlog depreciation	Closing Balance	CARRYING VALUE	BUDGET ADDITIONS 2006
<b>Land and Buildings</b>								
Land	500 000	-	500 000	-	-	-	500 000	-
Buildings	29 608 707	6 880 261	36 488 968	-	(3 240 810)	(3 240 810)	33 248 158	6 266 968
<b>Sub-total</b>	<b>30 108 707</b>	<b>6 880 261</b>	<b>36 988 968</b>	<b>-</b>	<b>(3 240 810)</b>	<b>(3 240 810)</b>	<b>33 748 158</b>	<b>6 266 968</b>
<b>Infrastructure</b>								
Roads and stormwater	9 199 890	4 395 864	13 595 754	-	-	-	13 595 754	4 177 979
	-	-	-	-	-	-	-	-
<b>Sub-total</b>	<b>9 199 890</b>	<b>4 395 864</b>	<b>13 595 754</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13 595 754</b>	<b>4 177 979</b>
<b>Other Assets</b>								
Furniture and fittings	811 423	-	811 423	-	(512 840)	(512 840)	298 583	-
Computer Equipment	1 305 453	193 769	1 499 222	-	(430 466)	(430 466)	1 068 756	200 000
Motor Vehicles	2 405 491	-	2 405 491	-	(576 553)	(576 553)	1 828 938	-
<b>Sub-total</b>	<b>4 522 367</b>	<b>193 769</b>	<b>4 716 137</b>	<b>-</b>	<b>(1 519 860)</b>	<b>(1 519 860)</b>	<b>3 196 277</b>	<b>200 000</b>
<b>Total</b>	<b>43 830 964</b>	<b>11 469 894</b>	<b>55 300 858</b>	<b>-</b>	<b>(4 760 669)</b>	<b>(4 760 669)</b>	<b>50 540 189</b>	<b>10 644 947</b>

**APPENDIX II**  
**NKANDLA LOCAL MUNICIPALITY**  
**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009**

2008 Actual Income R	2008 Actual Expenditure R	2008 Surplus/ (Deficit) R		2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R
23 514 968	15 954 586	7 560 382	Executive and Council	34 801 519	(13 605 999)	21 195 520
-	5 523 247	(5 523 247)	Financial Management	1 141 362	(2 270 570)	(1 129 208)
588 833	6 417 198	(5 828 365)	Corporate Services	-	(5 153 160)	(5 153 160)
781 181	5 479 715	(4 698 534)	Community Services	371 405	(2 854 922)	(2 483 518)
3 118 278	5 514 275	(2 395 997)	Technical Services	291 868	(3 473 729)	(3 181 861)
<u>28 003 260</u>	<u>38 889 021</u>	<u>(10 885 761)</u>	<b>Sub-total</b>	<u>36 606 153</u>	<u>(27 358 381)</u>	<u>9 247 772</u>
-	-		- Less: Inter-departmental Charges	-	-	-
<u>28 003 260</u>	<u>38 889 021</u>	<u>(10 885 761)</u>	<b>Total</b>	<u>36 606 153</u>	<u>(27 358 381)</u>	<u>9 247 772</u>

**APPENDIX III**  
**NKANDLA LOCAL MUNICIPALITY**  
**ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009**

	2009 Budget	Actual R	Variance	% Variance	Explanations for 10% or more variance
<b>REVENUE</b>					
Assessment Rates	600 000	(478 828)		-395%	Budget for the increase made but impractical
Refuse removal	125 000	150 108		55%	Under budgeting
Government Grant and subsidies	1 280 000	12 740 598		91%	Previously unspent grants spent in the current year
Unconditional Grants	19 980 739	1 364 156		6%	
Rental of Facilities and Equipment	137 013	103 118		43%	Under budgeting
Interest Earned- Investments	120 000	259 315		68%	Under budgeting
Interest Earned- Current Account	80 000	(4 077)		-5%	Not budgeted for
Other Income	552 134	(403 122)		-271%	
Other	-	-			
<b>Total Revenue</b>	<b>22 874 886</b>	<b>13 731 267</b>		38%	
<b>EXPENDITURE</b>					
Employee related costs	(9 500 942)	(100 182)		1%	
Remuneration of Councilors	(4 191 172)	78 508		-2%	
Depreciation		(807 947)		100%	Budget prepared was not GRAP/GAMAP compliant
Repairs and maintenance	(892 137)	761 092		-581%	Maintenance program delayed
General Expenses	(6 805 490)	(1 903 496)		22%	Overexpenditure due to unforeseen expenses
Audit fees	-	(1 126 433)		100%	Unbudgeted expenditure
Bad debts	-	(95 048)		100%	Unbudgeted expenditure
Contributions to provisions	(205 145)	5 102		-3%	
Opex funded from grants	(1 280 000)	(1 270 705)		50%	Prior year grant expenditure
	<b>(22 874 886)</b>	<b>(4 459 109)</b>		16%	
	<b>-</b>	<b>9 272 158</b>		100%	



**ACTION PLAN TO ADDRESS QUERIES RAISED BY THE AUDITOR GENERAL**

The queries raised by the Auditor General are the evident of what is not going right in our operations. Together with Provincial Treasury, Nkandla Municipality has embarked on the Municipal Support Programme who primary purpose is to deal with all the financial related outstanding issues.

The systems (which are a problem in our case) are being put in place.

The issues raised by Auditor General are just a part of what is covered in the project plan. Specific items with responsible people and status of the item are indicated so as to ensure that the progress is well monitored.

The following is the detailed Project Plan to address operational problem areas up to 30 June 2010.

Section		Sub-section		Remedial Action		Mgt Resp	Output	Outcome	Status
1.	Getting the basics right		Overall project management		Formulate Municipal Task Team (MM, CFO and MSP team) to fast track the implementation of the business plan.	MM, CFO and MSP Team.	Weekly progress meetings	Ensuring that business plan meets the outcomes identified	Open
		1.1	Update general ledger - overall	1.1.1	Process all 2009/10 transactions from 1 July 2009 on e-Venus. Use MS Excel spreadsheets prepared by municipal staff as starting point. Refer to supporting documentation as required to ensure that there are no misallocations, especially income and expenditure items. If required, schedule training session with e-Venus service	MSP Team	Cashbooks, Debtors Sub-ledger, Creditors Sub-ledger, General Ledger, Trial Balance	Updated accounting records	Open

					provider to facilitate accurate processing.				
				1.1.2	Process all adjustments surfacing from the 2008/09 external audit.	MSP Team	Revised 2009 trial balance	Corrected 2009 financial records	Open
				1.1.3	Close off 2009 year-end on e-Venus.	MSP Team	Final 2009 trial balance	Finalised 2009 financial reports	Open
			Update general ledger - creditors	1.1.4	Set up a creditors module on e-Venus that will facilitate the generation of a creditors age analysis and reporting per function for section 71 reporting purposes.	MSP Team	Creditors age analysis report	Valid, accurate and complete financial information	Open
				1.1.5	Set up a manual creditors ledger as an interim measure while planning on activating the creditors module in e-Venus.	MSP Team	Creditors ledger	Valid, accurate and complete financial reporting	Open
				1.1.6	Perform a creditors reconciliation between the creditors age analysis and the general ledger.	MSP Team	Monthly creditors reconciliation	Valid, accurate and complete financial reporting	Open
				1.1.7	Develop a supplier reconciliation statement between the age analysis and the supplier statement.	MSP Team	Monthly supplier reconciliation s	Accurate payment approvals	Open
				1.1.8	Scrutinise the creditor database for completeness of details.	MSP Team	Creditor database	Updated creditor	Open

								records	
				1.1.9	Review Councillor allowances payments to determine whether in line with latest proclamation on upper limits for officer bearers.	MSP Team	Verified Councillor allowance expenditure	Expenditure verification / Compliance	Open
				1.1.10	Review creditor accounts for long outstanding balances and reasons for not settling within 30 days as required by MFMA.	MSP Team	Payment of creditors / dispute resolution	Compliance with MFMA	Open
				1.1.11	Review analysis maintained by Accountant: Budget of long outstanding orders and determine reasons for not fulfilling orders.	MSP Team	Dispute resolution / finalisation of transactions	Finalise procurement transactions	Open
			Update general ledger - procurement	1.1.12	Scrutinise all recurring expenditure to determine whether adequate contractual agreements are implemented. Draft agreements to the extent that none exist or have lapsed.	MSP Team	Contractual agreements	Reduced risk	Open
				1.1.13	Review S&T expenditure incurred for a period of 12 months to identify possible abuse, non-compliance with policy, late submission for authorisation and unauthorised expenditure.	MSP Team	Evidence of past non-compliance with S&T policy	Improved compliance with S&T policy and accuracy of claims	Open
				1.1.14	Draft a standard list of destinations and distances for travel claim purposes, distribute to all staff and monitor implementation.	MSP Team	Approved travel distance list	Improved compliance with S&T policy and accuracy of claims	Open

				1.1.1 5	Implement timely deadlines for February and June travel claims to facilitate timeous cut off for IRP5 purposes and financial year-end respectively.	MSP Team	Updated travel expenditure	Timely updated travel claim data	Open
				1.1.1 6	Process all 2009/10 leave transactions in PayDay to facilitate automatic reporting and calculation of provision for leave pay.	MSP Team	Updated leave records	Accurate leave records	Open
				1.1.1 7	Implement communication system to inform HODs on monthly basis of all outstanding leave forms, outstanding supporting documentation relevant to leave applications and leave balance as per PayDay for all staff in respective Directorate.	MSP Team	Communication process and leave records reports	Completeness of leave applications / Accuracy of leave application approval / Accurate leave records	Open
				1.1.1 8	Review ratio between the number of Councillors and municipal employees with reference to guidelines (if any exist) as the existing ratio seems excessive.	MSP Team	Salaries	Reduced salaries if number of Councillors reduced	Open
				1.1.1 9	Review salary scales for compliance with approved Bargaining Council notches, annual percentage limits and any other guidelines for both staff and Councillors.	MSP Team	Salaries	Accurate salaries expenditure	Open

				1.1.2 0	Calculate provision for leave pay on monthly basis and update provision for leave pay balance accordingly.	MSP Team	Provision for leave pay	Continuous updated provision for leave pay balance throughout financial year	Open
				1.1.2 1	Review overtime paid and compare to policy and compliance with Basic Conditions of Employment Act.	MSP Team	Valid and accurate overtime expenditure	Valid, accurate, complete payroll report	Open
				1.1.2 2	Implement reordering system for pre-printed leave forms to facilitate timely delivery to prevent "out of stock".	MSP Team	Leave application stationery	Timely ordering of leave application stationery	Open
				1.1.2 3	Establish a store function to exercise control over acquisition and issuing of inventory items.	MSP Team	Stores system	Internal control pertaining to consumables and inventory	Open
			Update general ledger - debtors and indigents	1.1.2 4	Set up a debtors module in e-Venus.	MSP Team	Monthly Debtors Reconciliation	Valid, accurate and complete financial reporting	Open
				1.1.2 5	Assess status of debtor management and capacity of staff to execute this function.	MSP Team	Identified capacity constraints	Effective and efficient debtor management	Open
				1.1.2 6	Categorise debtors to commercial, residential, government and indigent to extent not yet done and review existing classifications for	MSP Team	A categorised Debtors Book	Accurate debtor information	Open

					accuracy.				
				1.1.2 7	Prepare a bad debt write off schedule in line with the credit control policy, age of debtors and likelihood that debtor will not settle outstanding balance.	MSP Team	Revised debtor balance	Realistic debtor balance	Open
				1.1.2 8	Formulate a task team to fast track the outstanding debtors with a view to collect (especially those with significant balances and provincial government departments), establish reasons for non payments and negotiate with debtors to settle the outstanding balances. Draft a payment schedule based on agreement to provide indication of cash inflow anticipated.	MSP Team	Maximised Revenue	Improved debt collection	Open
				1.1.2 9	Update indigent register with all qualifying households.	MSP Team	Updated indigent register	Improved service delivery	Open
				1.1.3 0	Investigate possibility of creating a central consumer database to all users of debtor related data (financial and non-financial) to prevent data duplication, reduce risk of data errors and omission and promote effectiveness, efficiency and economy. Facilitate a data cleansing exercise if necessary.	MSP Team	Central consumer database	Improved consumer data maintenance, reduced risk of error and omission through data integration and sharing	Open

				1.1.3 1	Once the GL has been updated and the Cash Drawer transactions (receipting e-Venus module) processed, request Business Connexion Helpdesk to perform monthly billing for period from May 2008 to present (requirement as > 6 month period). Generate billing report and forward to SITA for printing and posting.	Business Connexion / MSP Team	Billing consumer debtors	Informed consumer debtors to facilitate settlement of outstanding balances	Open
				1.1.3 2	Review provision of free basic services to determine whether grant funding is correctly applied.	MSP Team	Provision of free basic services to all qualifying households	Improved service delivery	Open
			Update general ledger - revenue	1.1.3 3	Implement Property Rates Act as matter of urgency. Update valuation roll and consumer database. Raise relevant billings for 2009/10.	MSP Team	Rates revenue and valuation roll	Compliance with Property Rates Act	Open
				1.1.3 4	Assist in ensuring the valuation roll is communicated publicly and all objectives are dealt with timorously so as to meet the deadline.	MSP Team	Approved Valuation Roll	Compliance with MPRA Act	Open
				1.1.3 5	Review rates collection systems in place to ensure that they are in line with the MPRA Act.	MSP Team	Adherence with the MPRA	Compliance with MPRA Act	Open
				1.1.3 6	Review all existing rentals of municipal sites to determine whether supported by an agreement. If not, draft appropriate agreements.	MSP Team	Contractual agreements	Reduced risk	Open
			Update	1.1.3	Populate e-Venus fixed asset	MSP Team	Integrated	Accurate FAR	Open

			general ledger - fixed assets	7	module.		FAR		
				1.1.38	Review FAR prepared by service provider for accuracy, completeness and compliance with National Treasury Regulation and Circulars as well as GRAP. Perform deeds search if required to determine accuracy and completeness of all land and buildings included in FAR and to determine if registered in correct entity name. Specifically refer to capital projects completed during the last few years to ensure completeness of buildings and other constructions (e.g. swimming pools).	MSP Team	Accurate FAR and deeds registration	Accurate FAR	Open
				1.1.39	Train staff in performing fixed assets verification and maintaining an updated fixed assets register.	MSP Team	Capacitated financial officials	Valid accurate and complete finance information	Open
				1.1.40	Establish a Disposal Committee.	MSP Team	Authorised decision-makers	Authorised disposals	Open
				1.1.41	Formulate a task team to fast track all capital projects.	MSP Team	Task team with terms of reference	Acceleration and completion of capital expenditure Programme	Open
				1.1.42	Develop a reporting format that highlights the progress on each project to Exco and Council.	MSP Team	Progress report per project	Reporting	Open



				1.1.4 3	Consider bar code tagging to extent not yet done.	MSP Team	Tagged assets	Identification of fixed assets	Open
			Update general ledger - conditional grants	1.1.4 4	Ascertain whether all expenditures related to grants has been allocated to relevant grant accounts if not allocate accordingly.	MSP Team	Accurate grants register	Valid accurate and complete finance information	Open
				1.1.4 5	Prepare projected expenditure for each unspent grant and align it to the memorandum of agreement.	MSP Team	Grant Expenditure projections	Grant Expenditure Programme	Open
				1.1.4 6	Determine whether a separate investment account for funds relating to unspent portion of conditional grants exist to ensure it is fully cash backed.	MSP Team	Investment account	Cash backed conditional grants	Open
		1.2	Reconciliations	1.2.1	Prepare all monthly reconciliations, introduce templates and scrutinise GL suspense accounts for clearance:	MSP Team	Accurate monthly reconciliations	Valid, accurate and complete financial information	
					- Bank				Open
					- Investments				Open
					- Petty cash				Open
					- Inventory				Open
					- Debtors				Open
					- Creditors				Open
					- Fixed assets				Open
					- Grants				Open
					- Payroll (2 reconciliations: PayDay vs. GL expenditure and PayDay vs. cashbook payments)				Open
					- Leave pay				Open

					- Revenue to valuation roll				Open
					- Rental collections and deposits				Open
				1.2.2	Provide reconciliation training (bank, investments, debtors, creditors, payroll, grants, etc.) to staff indicated in training plan, both formal and handholding.	MSP Team	Specific training	Capacitated financial officials	Open
				1.2.3	Investigate e-Venus functionality with regard to reconciliation preparation.	MSP Team	Automatic reconciliation preparation	Efficiency and economy	Open
				1.2.4	Prepare a grant reconciliation per conditional grant with details on grant received and grant expenditure. Reconcile to the general ledger.	MSP Team	Monthly Conditional grant reconciliation	Valid accurate and complete financial reporting	Open
		1.3	Registers	1.3.1	Update or implement registers as appropriate and implement templates as required:	MSP Team	Updated registers	Improved financial controls / Accurate financial records	
					- Fixed assets				Open
					- Investments				Open
					- Indigent				Open
					- Quotations				Open
					- Supplier invoices received				Open
					- Conditional grants				Open
					- Cheque collection				Open
					- Used and unused stationery				Open
					- Stores (indicating inventory shortages / surplus)				Open
				1.3.2	Provide training to staff responsible for maintained registers as indicated in training plan, both formal and	MSP Team	Specific training	Capacitated financial officials	Open

					handholding.				
		1.4	Policies	1.4.1	Scrutinise Council agendas and minutes of the last 3 years to determine the correct version of each policy pertaining to Finance and the implementation date.	MSP Team, Archiving Clerk	List of approved policies and correct version of document	Correct starting point for policy analysis	Open
				1.4.2	Review each policy for compliance with relevant legislation, regulations, circulars, GRAP and other applicable requirement. Amendment policies as required. Discuss with management and present revised policies to Council for adoption.	MSP Team	Revised policies	Compliant policies	
					- Tariff Policy				Open
					- Risk Management Policy				Open
					- Property Rates Policy				Open
					- Indigent Policy				Open
					- Supply Chain Management Policy				Open
					- Budget Policy				Open
					- Medium Term Budget Policy Statement				Open
					- Debt Management Policy				Open
					- Credit Control and Debt Collection Policy				Open
					- Asset Management Policy				Open
					- Delegation of Power Policy				Open
				1.4.3	Draft outstanding finance policies or assist with finalisation:	MSP Team	New policies	Compliant policies	

					- Revenue policy				Open
					- Loss control policy				Open
					- S&T policy				Open
					- Cash and Bank policy				Open
					- Investment policy				Open
					- IT policy				Open
					- Virement policy				Open
					- Management of Accumulated Surplus policy				Open
					- Loans				Open
					- Customer care				Open
					- Procurement				Open
					- Loss control				Open
					- Pauper burial				Open
				1.4.4	Identify a suitable external service provider to review and adjust existing municipal by-laws and draft non-existing by-laws pertaining to financial matters.	External Service Provider	Revised by-laws	Compliance by-laws	Open
		1.5	Audit issues	1.5.1	Review previous audit queries and assess whether municipality has adequately addressed any issues raised by the AG.	MSP Team	Audit Management Plan	Improved Audit Opinion	Open
				1.5.2	If previous audit queries have not been adequately addressed, assist with drafting and implementation of an audit recommendation implementation plan in response to issues raised by the Office of the Auditor-General in the 2007/08 and 2008/09 reports.	MSP Team	Audit Management Plan	Improved Audit Opinion	Open

				1.5.3	Develop and implement audit readiness procedures and use these to assist in the compilation of the 2009/2010 Audit File.	MSP Team	Audit File	Improved Audit Opinion	Open
		1.6	Management Information System (MIS)	1.6.1	Perform entity wide IT review to determine effectiveness of all existing hardware and software, determine needs and to establish whether cost effective.	MSP Team	Guidance pertaining hardware and software	Effective, efficient, economic IT environment	Open
				1.6.2	Appoint individual with IT skills, preferably with e-Venus experience, in vacant Intern position.	Corporate Services	Local IT skills	Ongoing IT support	Open
				1.6.3	Consult with e-Venus service provider and explore all capabilities of the financial system and how to best integrate the system with other sub-ledgers i.e. the fixed assets, payroll, debtors and creditors sub-ledgers to the extent it does not yet exist. Determine whether all modules acquired are being utilised and that the integration is functioning as intended.	MSP Team	Financial reports	Valid, accurate and complete financial reporting	Open
				1.6.4	Review system to determine whether MFMA compliance with regard to reporting requirements.	MSP Team	Financial reports	Valid, accurate and complete financial reporting which is MFMA compliant	Open

				1.6.5	Consult with e-Venus service provider and implement system profiles to limit unnecessary access control to the financial system and to minimise isolation of responsibility.	MSP Team	Approved System Profile	Limited access control to the financial system	Open
		1.7	Filing	1.7.1	Review / introduce an appropriate filing system to store all documents safely whilst enabling ready access to them, i.e. both hard copy and electronic copy.	MSP Team	Filed documentation	Accessible supporting documentation	Open
2.	Improving the control environment	2.1	Procedures	2.1.1	Review expenditure procedure manual and amend as required. Focus on prevention of payments without being adequately supported and payment duplication. Draft a flow chart of the expenditure cycle. Implement revised manual.	MSP Team	Approved financial procedures	Improved internal controls	Open
				2.1.2	Draft cash and bank procedure manual. Draft a flow chart of the cash and bank cycle. Implement once approved.	MSP Team	Approved financial procedures	Improved internal controls	Open
				2.1.3	Draft investments procedure manual. Draft a flow chart of the investment cycle. Implement once approved.	MSP Team	Approved financial procedures	Improved internal controls	Open
				2.1.4	Draft debtors procedure manual which should include debtors collection procedures. Draft a flow chart of the debtor cycle. Implement once approved.	MSP Team	Approved financial procedures	Improved internal controls	Open
				2.1.5	Draft creditors procedure manual. Draft a flow chart of the creditors	MSP Team	Approved financial	Improved internal	Open

				cycle. Implement once approved.		procedures	controls	
			2.1.6	Draft stores procedure manual. Draft a flow chart of the stores cycle. Implement once approved.	MSP Team	Approved financial procedures	Improved internal controls	Open
			2.1.7	Draft budget procedure manual which should include a section on tariff calculation. Draft a flow chart of the budget cycle. Implement once approved.	MSP Team	Approved financial procedures	Improved internal controls	Open
			2.1.8	Draft asset management procedure manual. Draft a flow chart of the asset management cycle. Implement once approved.	MSP Team	Approved financial procedures	Improved internal controls	Open
			2.1.9	Draft payroll procedure manual. Draft a flow chart of the payroll cycle. Implement once approved.	MSP Team	Approved financial procedures	Improved internal controls	Open
			2.1.10	Draft loan procedure manual. Draft a flow chart of the payroll cycle. Implement once approved.	MSP Team	Approved financial procedures	Improved internal controls	Open
			2.1.11	Review job descriptions drafted for each Finance official to determine whether aligned with approved policies and procedures. Workshop with staff. Check for adequate segregation of duties.	MSP Team	Approved financial procedures	Improved internal controls	Open
			2.1.12	Draft delegation and sub-delegation of authority with reference to legislative requirements, policies and procedure manuals. Check for adequate segregation of duties.	MSP Team	Approved financial procedures	Improved internal controls. Revised responsibility.	Open

				2.1.1 3	Review the adequacy and suitability of budgetary controls and key performance indicators. Prepare the relevant documentation to the extent it does not exist.	MSP Team	Budgetary controls and KPIs	Adequate budgetary targets and controls	Open
				2.1.1 4	Review the adequacy and suitability of the fraud strategy and response. Prepare the relevant documentation to the extent it does not exist.	MSP Team	Fraud strategy and response	Adequate fraud prevention, detection, communication and remedial action procedures	Open
		2.2	Control framework	2.2.1	Define a control framework.	MSP Team	Control framework	Improved internal controls	Open
				2.2.2	Define minimum control standards.	MSP Team	Minimum control standards	Improved internal controls	Open
				2.2.3	Roll out program and create control awareness.	MSP Team	Control awareness	Improved internal controls	Open
				2.2.4	Implement sustainable improvements.	MSP Team	Implemented controls	Improved internal controls	Open
3.	Budgeting	3.1			Develop and implement budget monitoring procedures to minimise overspending and link these to the existing budget policy.	MSP Team	Approved financial procedure	Effective Budget monitoring procedures	Open



		3.2		Develop and implement a monthly reporting format for budget monitoring that will give information between budgeted and actual expenditure to be reported to all stakeholders.	MSP Team	Monthly Report	Valid, accurate and complete financial reporting	Open
		3.3		Compile / review timetable for annual budget process and IDP review as specified in MFMA Circular 10.	MSP Team	Budget timetable	Planning to facilitate compliance	Open
		3.4		Monitor adherence to budget timetable.	MSP Team	Timely budget preparation	Compliance	Open
		3.5		Facilitate establishment of MFMA Steering Committee i.t.o. Section 4(1) and (2) of budget regulations:	MSP Team	MFMA Steering Committee	Compliance	Open
				- Presentation to Council and Senior Management				
				- Provide proforma Terms of Reference				
				- Monitor establishment				
				- Brief members of roles and responsibilities at inaugural meeting				
		3.6		Review IDP and advise on alignment to budget.	MSP Team	Final IDP	Compliance	Open
		3.7		Provide technical support on preparation of MTREF budget i.t.o. new budget regulations.	MSP Team	MTREF budget	Compliance	Open
		3.8		Ensure availability of following documents for inclusion of allocation in draft budgets:	MSP Team	Revenue budget	Complete and accurate revenue budget	Open

				- National DORA				
				- Provincial Budget Statement with municipal allocation schedule				
				- Provincial DORA				
				- Government allocations				
				- State of the Nation Address				
				- State of the Province Address				
				- MEC for Finance Speech				
		3.9		Review draft budget i.t.o.:	MSP Team	Draft budget	Compliance	Open
				- compliance with Chapter 4 of MFMA				
				- compliance with new budget regulations				
				- compliance with relevant National Treasury circulars				
				- compliance with funding model introduced by National Treasury				
				- reliability of funding sources to fund budget				
				- credibility and reasonableness of budget relative to previous year's actual performance				
		3.10		Provide technical support on preparation of SDBIP.	MSP Team	SDBIP	Compliance	Open
		3.11		Review SDBIP i.t.o. MFMA circular 13 and advise on alignment of service delivery targets and performance indicators with budget.	MSP Team	SDBIP, Budget	Compliance, aligned budget and SDBIP	Open
		3.12		Ensure comments made by Provincial Treasury are given due consideration prior to adoption of	MSP Team	Final budget	Reviewed budget	Open

					final budget.				
		3.13			Submission of budget documents (hard and soft copies) to National Treasury, Provincial Treasury and any organ of state affected by budget:	MSP Team	Submitted budget documents	Submission compliance	Open
					- Draft and Final Budget				
					- Draft and Final IDP				
					- Draft and Final SDBIP				
					- Draft and Final budget resolutions				
					- Annual and Oversight report				
		3.14			Review Mid Year Budget Performance Assessment (MFMA sec 72) and advise on budget adjustments required.	MSP Team	MY budget performance assessment	Guidance pertaining to adjustments budget	Open
		3.15			Submit approved adjustments budget to National and Provincial Treasury.	MSP Team	Final adjustments budget	Submission compliance	Open
		3.16			Monitor publication of updated information on municipal website and advice on amendments required (MFMA sec. 75).	MSP Team	Budget publication	Updated municipal website	Open
4.	Financial reporting	4.1	Financial Management Year Plan	4.1.1	Draft and implement a financial management year plan to facilitate the timely completion of all tasks specified in the relevant legislation, policies and procedure manuals.	MSP Team	Daily monitoring	Improved compliance	Open
				4.1.2	Monitor performance against plan continuously.	MSP Team	Daily monitoring	Improved compliance	Open

		4.2	Chart of accounts	4.2.1	Review chart of accounts and rationalize as required to facilitate preparation of periodic financial management reports.	MSP Team	Chart of accounts	Accurate reporting	Open
		4.3	Electronic report generation	4.3.1	Investigate opportunities with e-Venus and PayDay service providers to extract the required information electronically from the systems.	MSP Team	Effective and efficient statutory reports	Accurate reporting	Open
		4.4	Status of reporting	4.4.1	Assess status of financial reporting and identify gaps.	MSP Team	Complete and accurate financial reports	Accurate reporting	Open
		4.5	Staff benefits	4.5.1	Ensure expenditure on staff benefits is reported i.t.o. MFMA section 66.	MSP Team	Staff benefits reporting	Reporting compliance	Open
		4.6	Section 11	4.6.1	Ensure quarterly MFMA section 11 report on withdrawals from bank accounts are submitted to Council, Provincial Treasury and Auditor-General.	MSP Team	Withdrawals reporting	Reporting compliance	Open
		4.7	Section 52(d)	4.7.1	Ensure Mayor submits quarterly MFMA section 52(d) report to Council within 30 days of the end of the quarter on the implementation of the budget and the financial state of affairs of the municipality.	MSP Team	Section 52(d) reporting	Reporting compliance	Open
		4.8	Capital and other expenditure	4.8.1	Ensure quarterly statistical reports on capital and other expenditure are submitted to Statistics South Africa.	MSP Team	Statistical report	Reporting compliance	Open

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		4.9	Contracts awarded	4.9.1	Ensure monthly reports detailing all contracts awarded with a value of more than R100 000 is submitted to National Treasury.	MSP Team	Contracts awarded reports	Reporting compliance	Open
		4.10	Supply Chain	4.10.1	Ensure annual report to National Treasury on implementation of supply chain management policy is submitted.	MSP Team	SCM policy report	Reporting compliance	Open
				4.10.2	Ensure quarterly report to Council / Mayor on implementation of supply chain management is submitted.	MSP Team	SCM report	Reporting compliance	Open
		4.11	Annual Report	4.11.1	Assist all Directorates with compilation of annual report (MFMA section 127).	MSP Team	Annual report	Reporting compliance	Open
				4.11.2	Ensure adoption of oversight report (MFMA section 129(1)).	MSP Team	Oversight report	Reporting compliance	Open
				4.11.3	Ensure minutes of relevant meetings are submitted to Provincial Treasury and Provincial Department of Local Government (MFMA section 129(2)(b)).	MSP Team	Minutes of meetings	Reporting compliance	Open
				4.11.4	Ensure annual and oversight reports are submitted to Auditor-General, Provincial and National Treasury, Provincial Department of Local Government and the Legislature.	MSP Team	Submitted reports	Reporting compliance	Open
		4.12	Financial statements	4.12.1	Prepare GRAP compliant quarterly financial statements. Investigate opportunities with e-Venus service provider for system generated financial statements.	MSP Team	Quarterly financial statements	Effective and efficient periodic financial statements	Open
				4.12.2	Prepare 30 June 2010 AFS in	MSP Team	Draft AFS	GRAP	Open

				2	GRAP format with comparable prior year figures.			compliance	
				4.12.3	Determine external audit data requirements and incorporate tasks in financial management year plan to facilitate timely electronic storage of relevant reports and extracts.	MSP Team	AFS supporting schedules	Audit readiness	Open
				4.12.4	Prepare comprehensive working paper file for audit purposes.	MSP Team	AFS working paper file	Audit readiness	Open
				4.12.5	Present draft AFS to Audit Committee prior to submission to AG. Provide explanations where necessary.	MSP Team	Draft AFS	Effective internal communication	Open
				4.12.6	Deliver draft AFS to AG for audit by no later than Tuesday, 31 August 2010.	MSP Team	Draft AFS	Draft AFS submission	Open
				4.12.7	Ensure availability during 2010 audit to respond to AG queries.	MSP Team	Respond to AG queries	Audit readiness	Open
		4.13	In Year Monitoring reports (IYMR)	4.13.1	Monitor submission of IYMR to Treasury (lgdatabase@treasury.gov.za and MFMA@treasury.gov.za)	MSP Team	Statutory reports	Accurate and timely reporting	Open
					<b>Annual reporting:</b>				
					- MFMA competency				
					- Appendix A				
					- Asset Management				
					- Budget Evaluation Checklist				
					- Financial Position				
					- Financial Position Audited				
					- Capital Acquisition				
					- Capital Acquisition Audited				

					- Cash Flow Budget				
					- Grant and subsidies given				
					- Grant and subsidies received				
					- Financial performance audited				
					- Financial performance budget				
					- IDP to budget				
					- MFMA implementation plan (MFMA Circular 7)				
					<b>Monthly reporting:</b>				
					- Age creditors				
					- Age debtors				
					- Capital acquisitions actuals				
					- Cash flow actuals				
					- Financial perform actuals				
					- Grants - Finance Management Grant (FMG)				
					- Grants - Municipal Systems Improvement Grant (MSIG)				
					- Grants - Municipal Infrastructure Grant (MIG)				
					<b>Quarterly reporting:</b>				
					- Borrowing monitoring				
					- MFMA long term contracts				
					- MFMA Implementation priorities				
				4.13.2	Provide technical support on preparation of in-year monitoring reports.	MSP Team	Statutory reports	Accurate and timely reporting	Open
				4.13.3	Analyse in-year monitoring reports. Advise municipality regarding concerns regarding performance against budget.	MSP Team	Statutory reports	Accurate and timely reporting	Open

				4.13.4	Monitor submission of C schedule reports as required i.t.o. budget regulations (new budget format).	MSP Team	Statutory reports	Accurate and timely reporting	Open
				4.13.5	Provide technical support on preparation of C schedule reports.	MSP Team	Statutory reports	Accurate and timely reporting	Open
		4.14	Mid year budget adjustment and performance assessment	4.14.1	Review Mid Year Budget Performance Assessment (MFMA sec 72) and advise on budget adjustments required.	MSP Team	MY budget performance assessment	Guidance pertaining to adjustments budget	Open
		4.15	Publication of reports	4.15.1	Monitor publication of updated information on municipal website and advice on amendments required (MFMA sec. 75).	MSP Team	Budget publication	Updated municipal website	Open
<b>5.</b>	<b>Supply Chain Management</b>	5.1	Structure	5.1.1	Review the adequacy of the SCM structure in relation to staff capacity and segregation of duties. Recommend a way forward.	MSP Team	SCM structure	Effective, efficient, economic SCM section	Open
		5.2	Supplier verification	5.2.1	Assist Supply Chain Officer with evaluation of approved supplier list.	MSP Team	Revised supplier list	Removal of suppliers from list not adequately performing	Open
				5.2.2	Assist Supply Chain Officer with the design of a supplier performance rating form.	MSP Team	Supplier performance rating form	Removal of suppliers from list not adequately performing	Open
				5.2.3	Scrutinise supplier database to determine accuracy, validity and completeness. Verify supplier	MSP Team	Updated legislative database	Compliance	Open



				details with Department of Trade and Industry (blacklisting).				
5.3	Committees	5.3.1	Review whether bid specification, evaluation and adjudication committees exist and whether the composition thereof is line with Treasury Regulation.	MSP Team	Terms of reference	Effective and Efficient Supply Chain Committees	Open	
		5.3.2	Review roles and responsibilities of members, document to extent not done at present (Terms of Reference) and provide suitable training.	MSP Team	Terms of reference, Capacitated members, Adherence to procedures	Functional Supply Chain committees, Compliance	Open	
		5.3.3	Test functionality of committee.	MSP Team	Adherence to procedures	Functional Supply Chain committees, Compliance	Open	
		5.3.4	Attend Committee meetings to observe procedures followed and recommend improvements where required.	MSP Team	Meeting attendance	Improved Audit Committee procedures	Open	
5.4	Process	5.4.1	Review samples of entire process followed in the award of quotations and bids, highlighting any shortcomings, if any, that need to be addressed.	MSP Team	Verify procedures followed	Improved SCM procedures	Open	
5.5	Documentation	5.5.1	Review samples of bid documents issued.	MSP Team	Reviewed bid documents	Improved bid document templates	Open	
5.6	Procurement plan	5.6.1	Assist with preparation of a procurement plan in line with SDBIP.	MSP Team	Procurement plan	Planned expenditure aligned with SDBIP	Open	

		5.7	Reporting	5.7.1	Assist with submission of monthly report on awards (MFMA circular 34).	MSP Team	Awards reporting	Reporting compliance	Open
		5.8	Workshops		Conduct SCM workshops for SCM section staff, bid committee members and Councillors (oversight only) on:	MSP Team	Workshop	Capacitated SCM officials, committee members and Councillors	
				5.8.1	- Roles and responsibilities of bid committee members				Open
				5.8.2	- Role of Councillors and their oversight role				Open
				5.8.3	- SCM processes				Open
				5.8.4	- SCM delegations				Open
				5.8.5	- How to address inappropriate interferences with the process				Open
				5.8.6	- How to monitor the effectiveness of the implementation process in municipalities				Open
6.	Internal Audit Function	6.1			Obtain the current risk based operational and strategic internal audit plan from the internal auditors (outsourced) and evaluate it.	MSP Team	Internal Audit Plan	Effective internal audit function	Open
		6.2			Enquire re regular reports issued to Accounting Officer and Audit Committee, focusing on:	MSP Team	Internal Audit Reports	Effective internal audit function	Open
					- Application of internal controls				
					- Implementation of accounting policies and procedures				
					- Risk and risk management				
					- Performance management				
					- Compliance with MFMA and other relevant legislation				

		6.3		Conduct a half day workshop for members of Audit Committee, elected representatives (especially EXCO members) and senior management.	MSP Team	Informed committee members and officials	Effective internal audit function	Open
		6.4		Prepare appropriate material and conduct detailed inter-active training sessions with members of Audit Committee, Internal Audit Manager, Accounting Officer and senior management on the following aspects:	MSP Team	Informed committee members and officials	Effective internal audit function	Open
				- Roles and responsibilities of internal audit and management				
				- Understanding risk management with reference to risks and internal controls				
				- How effective implementation of recommendations / actions plans provided by internal and external auditors should be monitored by management and Council				
				- How to evaluate effectiveness of internal audit unit				
		6.5		Conduct a half day refresher course 12 after implementation of above.	MSP Team	Monitoring	Effective internal audit function	Open
7.	Roles and Responsibilities of Audit Committee	7.1		Obtain the Audit Committee terms of reference and review for completeness. Prepare or amend to the extent required.	MSP Team	Terms of reference	Effective Audit Committee	Open
		7.2		Review composition of existing Audit Committee and recommend changes if required to comply with	MSP Team	Composition of Audit Committee	Effective Audit Committee	Open

				MFMA and terms of reference.				
		7.3		Conduct half day introductory workshop for members of Audit Committee, elected representatives (especially EXCO members) and senior management.	MSP Team	Informed committee members and officials	Effective internal audit function	Open
		7.4		Prepare appropriate material and conduct detailed inter-active training sessions on each of the following aspects which the Audit Committee is expected to advise Council, the Accounting Officer and management staff:	MSP Team	Informed committee members and officials	Effective internal audit function	Open
				- Internal financial controls and the role of internal audit				
				- Risk management				
				- Accounting policies				
				- Financial reporting				
				- Performance management and evaluation				
				- Effective governance				
				- Compliance with MFMA and other relevant legislation				
				- Review of financial statements and advise to Council on municipality's financial position				
				- Responding to Council on issued raised by Auditor-General				

		7.5			Prepare a guidebook on Roles and Responsibilities of Audit Committees that can act as a checklist for its members (should be aligned to terms of reference).	MSP Team	Guidebook	Technical support to facilitate effective Audit Committee	Open
		7.6			Conduct a half day refresher course 12 after implementation of above.	MSP Team	Monitoring	Effective Audit Committee	Open
		7.7			Review the functionality of the Audit Committee and develop Key Performance Indicators for the committee.	MSP Team	Validate functionality	Effective Audit Committee	Open
		7.8			Attend Audit Committee meetings during the course of the Municipal Support Program.	MSP Team	Validate functionality	Effective Audit Committee	Open
8.	Focus on sustainability	8.1	Monitoring	8.1.1	Follow up on completion of daily tasks.	MSP Team	Improvements introduced	Sustainability of reforms	Open
		8.2	Cash flow management	8.2.1	Prepare the monthly cash flow statement with distinction between critical and other operational expenditure.	MSP Team	Monthly Cash Flow Statement	An effective cash flow monitoring process	Open
				8.2.2	Monitor the cash flow projections on monthly basis and update projected figures with actuals.	MSP Team	Updated Cash Flow statement	An effective cash flow monitoring process	Open
				8.2.3	Establish interim Finance Committee to monitor cash flow on a weekly basis.	MSP Team	Updated Cash Flow statement	Enhanced cash management process	Open
				8.2.4	Establish a process to cash back the unspent portion of the conditional grants and factor this to the cash flow statement.	MSP Team	Updated Cash Flow statement	Enhanced cash management process	Open

				8.2.5	Review investment procedures and improve as required.	MSP Team	Revised investment policy and procedures	Improved cash management	Open
				8.2.6	Analyse security risks pertaining to cashier office and ensure improvements are made.	MSP Team	Repaired cash drawer, security door, etc.	Improved security in cashier office	Open
				8.2.7	Daily banking of cash takings.	MSP Team	Daily deposits	Reduced cash on hand overnight	Open
				8.2.8	Review insurance policy for adequate coverage for cash on hand.	MSP Team	Updated insurance policy	Adequate insurance for cash on hand	Open
				8.2.9	Improve MS Excel petty cash book unless e-Venus could be used.	MSP Team	Updated petty cash book	Effective petty cash book	Open
		8.3	CFO mentorship	8.3.1	Prepare a schedule of functions and responsibilities for the CFO to follow in administering the finances of the Municipality (refer Financial Management Year Plan).	MSP Team	Financial Management Year Plan	Comprehensive financial management planning to serve as checklist for all finance staff regarding timeliness of all tasks to be completed.	Open
				8.3.2	Mentor CFO in executing duties appropriately.	MSP Team	Mentorship	Capacitated CFO	Open
		8.4	Internship	8.4.1	Review the internship program to determine whether it is structured according to National Treasury	MSP Team	Improved internship program	Compliance	Open

					guidelines and suggest improvements where necessary.				
9.	VAT	9.1	VAT returns	9.1.1	Review VAT schedules and VAT 201 returns completed recently to determine whether the correct procedures are being followed and compliance with legislation.	MSP Team	Identified error for correction	VAT compliance	Open
				9.1.2	Review accuracy and completeness of VAT control account with reference to the VAT 201s submitted, clearance thereof and perform a reconciliation if appropriate.	MSP Team	Cleared control account	VAT compliance	Open
				9.1.3	Prepare or re-submit amended VAT returns to SARS.	MSP Team	Accurate VAT returns	VAT compliance	Open
				9.1.4	Standardise VAT schedules.	MSP Team	Template schedules	VAT compliance	Open
				9.1.5	Liaise with SARS to resolve discrepancies and facilitate refunds as required.	MSP Team	Resolve discrepancies , obtain all outstanding refunds to improve cashflow	VAT compliance	Open
		9.2	Recording procedures	9.2.1	Review procedures followed to record transactions from a VAT perspective.	MSP Team	Procedure manual	VAT compliance	Open
		9.3	Apportionment factor	9.3.1	Review apportionment factor.	MSP Team	Accurate VAT reports	VAT compliance	Open
		9.4	Training	9.4.1	Provide VAT training to Accountant: Income and Accountant: Expenditure on recording of income and	MSP Team	Improved financial transaction recording	Capacitated financial officials	Open

					expenditure transactions with regard to VAT respectively.				
				9.4.2	Train staff in calculating apportionment factor.	MSP Team	Accurate apportionment factor	Capacitated financial officials	Open
				9.4.3	Train staff in completing VAT returns accurately and timorously.	MSP Team	Accurate and timeous VAT returns	Capacitated financial officials	Open
		9.5	VAT invoices	9.5.1	Obtain examples of all types of VAT invoices issued by the municipality (core and miscellaneous revenue, including pre-paid electricity tokens). Review for compliance with section 20 of the VAT Act and recommend improvements.	MSP Team	Revised tax invoice templates	Compliance with VAT Act	Open
		9.6	Follow up	9.6.1	Perform a follow up approximately 3 months after completing all procedures to evaluate implemented controls and procedures.	MSP Team	Monitoring	Continued performance	Open
10.	GRAP conversion	10.1	Conversion / Implementation plan	10.1.1	Draft and implement a detailed GRAP conversion / implementation plan for the 2009/10 financial year.	MSP Team	GRAP conversion plan	GRAP compliance	Open
				10.1.2	Review the Chart of Accounts for compliance with GRAP with reference to implementation guide for municipalities published by National Treasury.	MSP Team	Revised Chart of Accounts	GRAP compliance	Open



		10.2	Unbundling of accounts	10.2.1	Conduct a review of the unbundling of accounts that was performed in drafting the 2008/09 AFS. Process any corrections considered necessary.	MSP Team	Unbundled accounts	GRAP compliance	Open
		10.3	AFS scheduling	10.3.1	Draft schedule (similar to financial management year plan) for compilation of AFS (task, deadline, responsible person, etc.).	MSP Team	Compilation of AFS plan	GRAP compliance	Open
		10.4	GRAP accounting training	10.4.1	Provide basic accounting training to all Finance official's excluding the CFO.	MSP Team	Monthly monitoring	Capacitated financial officials	Open
				10.4.2	Provide basic GRAP training to all Finance officials assisting CFO in drafting GRAP AFS.	MSP Team	Monthly monitoring	Capacitated financial officials	Open
				10.4.3	Provide advance GRAP training to CFO to enable drafting of GRAP compliant AFS without assistance.	MSP Team	Monthly monitoring	Capacitated financial officials	Open
				10.4.4	Provide basic accounting training to non-financial officials who are involved in the budget process and interpret / review the AFS (e.g. HODs, Councillors).	MSP Team	Monthly monitoring	Capacitated financial officials	Open
				10.4.5	Provide training in budget related matters to Accountant: Budget.	MSP Team	Monthly monitoring	Capacitated financial officials	Open
11.	Skill development	11.1	Finance Directorate staffing	11.1.1	Review organogram of Finance Directorate to determine whether appropriate staffed and recommend amendments if required.	MSP Team	Revised Finance Directorate organogram	Identify appropriate Finance Directorate staff requirements	Open

			11.1.2	Determine whether each employee has a job description. Draft job descriptions with input of the HR Section and the relevant Senior Manager as required.	MSP Team	Job descriptions	Improved internal control; adequate informed staff with regard to duties, roles and responsibilities	Open	
		11.2	Recruitment	11.2.1	Review the HR Recruitment policy to determine whether it complies with the MFMA Competency Requirements and recommend amendments if required.	MSP Team	Revised HR Recruitment policy	Compliance	Open
		11.3	Skill and competency assessment	11.3.1	Determine whether the Finance Directorate is appropriately skilled.	MSP Team	Skill assessment	Skill requirements identified for recruitment and training purposes	Open
				11.3.2	Determine whether senior managers meeting the minimum competency requirements i.t.o. section 83 of the MFMA.	MSP Team	Competency assessment	Competency requirements identified for recruitment and training purposes	Open
				11.3.3	Review the Workplace Skills Plan for 2009/10 to determine whether:	MSP Team	Comprehensive Workplace Skills Plan	Improved training schedule and skills plan to address all identified requirements	Open

					- It addresses the skills gaps in the Finance Directorate				
					- It addresses the gaps of senior managers				
					- It specifies that courses to be attended are accredited by National Treasury and LG Seta				
					- Mechanisms are in place to monitor the attendance of courses by staff				
					- Mechanisms are in place to evaluate the quality and value of the courses attended				
		11.4	Staff training	11.3.4	Draft training plan with reference to staff needs indicated during onsite assessment, the existing Workplace Skills Plan for 2009/10 and recommended amendments following the aforementioned review.	Corporate Services & MSP Team	Monthly monitoring	Formalised training schedule	Open
				11.4.1	Provide basic MS Excel training to all Finance officials.	MSP Team	Monthly monitoring	Capacitated financial officials	Open
				11.4.2	Provide basic MS Word training to all Finance officials.	MSP Team	Monthly monitoring	Capacitated financial officials	Open
				11.4.3	Provide basic management skills training to the Acting Municipal Manager.	MSP Team	Monthly monitoring	Capacitated financial officials	Open
				11.4.4	Provide legislative training (MFMA, SCM, VAT, labour related) to staff indicated in training plan.	MSP Team	Monthly monitoring	Capacitated financial officials	Open

				11.4.5	Provide reconciliation and register training (bank, investments, debtors, creditors, payroll, grants, etc.) to staff indicated in training plan, both formal and handholding.	MSP Team	Monthly monitoring	Capacitated financial officials	Open
				11.4.6	Provide e-Venus training to all Finance officials.	e-Venus service provider, MSP Team	Monthly monitoring	Capacitated financial officials	Open
				11.4.7	Provide Supply Chain Management training to Supply Chain Officer and Accountant: Expenditure.	MSP Team	Monthly monitoring	Capacitated financial officials	Open
				11.4.8	Provide training in recruitment to Senior Administration Officer.	MSP Team	Monthly monitoring	Capacitated financial officials	Open
				11.4.9	Provide training in PayDay (especially the leave module) to Senior Administration Officer.	MSP Team, PayDay service provider	Monthly monitoring	Capacitated financial officials	Open

## **OVERSIGHT REPORT 2008/9**

### **Report for the Audit Committee for the Financial Year End 2008/09**

The Audit Committee is pleased to present its first report for the financial year ended 30 June 2009 as required by the Municipal Finance Management Act, Act 56 of 2003

The Audit committee consists of the following members and has met five (5) times during the financial year. During this period the committee also met the Local Municipal Council to provide its feedback and to deliberate on the matters of importance to the affairs of the Municipality.

#### **Audit Committee Responsibilities**

The Audit Committee Charter provides the terms of reference and the oversight responsibility as stipulated in the MFMA Act. The committee has ably regulated its affairs in compliance with the charter and has therefore discharged all its responsibilities as contained herein.

#### **Internal Control and Risk Management**

The systems and controls are designed to provide the Municipality appropriate and effective measures to ensure cost effective assurance that the assets are safeguarded and the liabilities and work capital are efficiently managed. In lign with all relevant statutory requirements and good governance requirements, Internal Audit was appointed to provide the Audit Committee and management the assurance that internal controls are adequate and effective to mitigate the risks applicable to the Municipality. While the start of the year had a number of delays and a lot of work had to be done under pressure, the Audit Committee managed to ensure that the following issues were done:

- Risk Management,
- Responses to the AG's management report
- Internal Audit Charter,

- Risk assessment plan,
- Audit Readiness plan,
- Identification of risk areas and proper actions to areas that required investigations and further actions,
- Provision of support and guidance to the CFO.

The Audit Committee, while recognizing that there are still a number of areas that need improvement such as the IT, financial management and control systems, policies and procedures, the committee is of the opinion, based on available information and explanation given by management and the internal auditors and discussions with the Auditor General that the financial report presented herein are reasonable and adequately a true record of the financial year end.

#### **Evaluation of the Annual Financial Statements**

Following our review of the Annual Financial Statements for the year ended 30 June 2009, we are of the opinion that efforts have been made to comply with relevant requirements while areas identified require attention as stated by the Auditor General.

The committee concurs and agrees with the Internal Audit final report.

#### **Auditor General**

We have met with the Auditor General South Africa and have resolved all the issues raised.

**Approved on..... Of.....2009**

Chairperson's signature: .....